ML 4th Draft: 05/17/07

Fitch: "A–"
Moody's: "A3"
(See "PART 19 - RATINGS" herein)

NEW ISSUE

DAC Bond®

$284,810,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NORTH SHORE - LONG ISLAND JEWISH OBLIGATED GROUP
REVENUE BONDS, SERIES 2007
Consisting of
$161,545,000 Series 2007A (Fixed Rate)
$123,265,000 Series 2007B (Floating Rate)

Dated: Date of Delivery **Due: May 1, as shown herein**

Payment and Security: The North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007A (the "Series 2007A Bonds") and the North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007B (the "Series 2007B Bonds", and together with the Series 2007A Bonds, the "Series 2007 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable from and secured by a pledge of certain payments to be made under separate Loan Agreements (each, a "2007 Loan Agreement"), each dated as of April 25, 2007, between North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainview Hospital, Forest Hills Hospital and the North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation (each, an "Institution"), respectively, and the Authority, the hereinafter defined Series 2007 Obligations, and the funds and accounts (except the Arbitrage Rebate Fund) authorized by the Authority's North Shore Health System Obligated Group Revenue Bond Resolution, adopted by the Authority on June 24, 1998, as amended by a Supplemental Resolution, adopted on July 23, 2003 (the "General Resolution" or the "Resolution"), and established under the Series 2007A Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007A adopted by the Authority on April 25, 2007 (the "Series 2007A Resolution") and the Series 2007B Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007B adopted by the Authority on April 25, 2007 (the "Series 2007B Resolution" and, together with the Series 2007A Resolution, the "Series 2007 Resolutions").

Payment of the principal of and interest on the Series 2007 Bonds when due, and payment to the Authority by each Institution of amounts due as set forth in its 2007 Loan Agreement, are secured by payments made pursuant to, in the case of the Series 2007A Bonds, Obligation No. 26 dated as of May 1, 2007 (the "Series 2007A Obligation") and, in the case of the Series 2007B Bonds, Obligation No. 27 dated as of May 1, 2007 (the "Series 2007B Obligation" and, together with the Series 2007A Obligation, the "Series 2007 Obligations") each issued pursuant to the Master Trust Indenture, dated as of July 1, 1998, as supplemented, amended and restated (the "Master Trust Indenture") and constitute the joint and several general obligations of all the Members of the Obligated Group. The Obligated Group consists of the following six health care corporations affiliated with the North Shore - Long Island Jewish Health System (the "NSLIJ System"): North Shore University Hospital; Glen Cove Hospital; Plainview Hospital; Forest Hills Hospital; North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation; and Long Island Jewish Medical Center. No affiliate of the NSLIJ System, other than the Members of the Obligated Group, will be obligated for amounts due under the Series 2007 Obligations. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS."

Each Institution's obligation under its 2007 Loan Agreement and the Series 2007 Obligations is a general obligation of such Institution. Each 2007 Loan Agreement requires the respective Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay such Institution's allocable portion of the principal, Sinking Fund Installments or Redemption Price of, and interest on, the Series 2007 Bonds, as such payments shall become due, and to maintain such Institution's allocable portion of the Debt Service Reserve Fund Requirements for the Series 2007 Bonds. At the time of the delivery of the Series 2007 Bonds, an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2007A Bonds and Series 2007B Bonds, respectively, will be deposited in the respective Debt Service Reserve Funds.

The Series 2007 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. The Authority has no taxing power.

Investment in the Series 2007 Bonds involves certain risks, including, but not limited to, those set forth in "PART 8 – RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP" herein.

Description: The Series 2007A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2007A Bonds is payable at the rates set forth on the inside front cover hereof commencing on November 1, 2007 and thereafter on each May 1 and November 1 by check mailed by The Bank of New York, New York, New York, the Trustee and Paying Agent. The Series 2007B Bonds will be issued as fully registered bonds bearing interest at LIBOR-Based Interest Rates calculated as set forth on the inside front cover hereof in denominations of $5,000 and any integral multiple thereof. The LIBOR-Based Interest Rate shall be determined by the Trustee on a date that is two London Banking Days preceding the first day of each LIBOR-Based Interest Accrual Period and shall be payable on each May 1, August 1, November 1 and February 1, commencing August 1, 2007.

The Series 2007 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 2007 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2007 Bonds, payments of the principal and Redemption Price of, and interest on, such Series 2007 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2007 BONDS -Book-Entry Only System" herein.

Redemption or Purchase: The Series 2007 Bonds are subject to redemption or purchase prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds. See "PART 12 - TAX MATTERS" herein.

The Series 2007 Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2007 Bonds may be subject to prior sale, or withdrawn or modified at any time without notice. The offer of the Series 2007 Bonds is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, and to certain other conditions. Certain legal matters will be passed upon for the Institutions, the Representative and the Obligated Group by their counsel, Winston & Strawn LLP. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. The Authority expects to deliver the Series 2007 Bonds in definitive form in New York, New York, on or about May 31, 2007.

Citi†

Merrill Lynch & Co. **UBS Investment Bank**

Banc of America Securities LLC **Goldman, Sachs & Co.** **JPMorgan** **Ramirez & Co, Inc.**

Dated: May 10, 2007

† Senior Manager for the Series 2007A Bonds and Sole Manager for the Series 2007B Bonds.

$284,810,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
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REVENUE BONDS, SERIES 2007
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$161,545,000 Series 2007A (Fixed Rate)
$123,265,000 Series 2007B (Floating Rate)

Series 2007A

$80,535,000 Serial Bonds

Due May 1	Amount	Interest Rate	Yield
2008	$ 2,600,000	4.000%	3.800%
2009	2,705,000	4.000	3.810
2010	2,815,000	4.000	3.860
2011	2,930,000	4.000	3.900
2012	3,050,000	4.000	3.940
2013	3,175,000	4.000	3.970
2014	3,305,000	4.000	4.030
2015	3,440,000	4.125	4.070
2016	3,585,000	4.125	4.130
2017	3,740,000	4.250	4.200
2018	3,900,000	4.250	4.240*
2019	4,085,000	5.000	4.330*
2020	4,295,000	5.000	4.370*
2021	4,515,000	5.000	4.400*
2022	4,750,000	5.000	4.430*
2023	4,990,000	5.000	4.460*
2024	5,245,000	5.000	4.490*
2025	5,515,000	5.000	4.510*
2026	5,800,000	5.000	4.530*
2027	1,210,000	4.500	4.540
2027	4,885,000	5.000	4.540*

$35,470,000 5.000% Term Bonds Due May 1, 2032 to Yield 4.55%*
$45,540,000 5.000% Term Bonds Due May 1, 2037 to Yield 4.57%*

Series 2007B

$53,370,000 LIBOR-Based Interest Rate Term Bonds Due May 1, 2018 Price 100%
$69,895,000 LIBOR-Based Interest Rate Term Bonds Due May 1, 2033 Price 100%

* Yield to the May 1, 2017 call date.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institutions, the Obligated Group Members, the Representative (as defined herein) or the Underwriters to give any information or to make any representations with respect to the Series 2007 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 Institutions, the Obligated Group Members, the Representative or the Underwriters.

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 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Institutions, the Obligated Group Members, the Representative, 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 or of the Underwriters.

The Institutions and the Representative have reviewed the parts of this Official Statement describing the Institutions, the Obligated Group, the NSLIJ System and the Representative under the headings "INTRODUCTION," "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS," "THE SERIES 2007 BONDS," "THE PLAN OF FINANCE AND REFUNDING," "ANNUAL DEBT SERVICE REQUIREMENTS," "ESTIMATED SOURCES AND USES OF FUNDS," "THE OBLIGATED GROUP," and "RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP." The Institutions and the Representative shall certify as of the dates hereof and of delivery of the Series 2007 Bonds that such parts do not contain any untrue statement 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 Representative has also reviewed "Appendix B - Audited Financial Statements of the North Shore-Long Island Jewish Obligated Group for the Years Ended December 31, 2006 and 2005 with Report of Independent Auditors." The Representative shall certify as of the date hereof and of delivery of the Series 2007 Bonds that such Appendix does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. Neither the Institutions nor the Representative makes any representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the 2007 Institution Mortgages, the Intercreditor Agreement, the Master Trust Indenture, the 2007 Supplemental Indentures, and the Series 2007 Obligations (as each such term is defined in this Official Statement) do not purport to be complete. Investors should refer to the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the 2007 Institution Mortgages, the Intercreditor Agreement, the Master Trust Indenture, the 2007 Supplemental Indentures, and the Series 2007 Obligations for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the 2007 Institution Mortgages, the Intercreditor Agreement, the Master Trust Indenture, the 2007 Supplemental Indentures, and the Series 2007 Obligations are on file with the Authority and the Trustee.

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

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, the Institutions, the Obligated Group Members, the Representative or the NSLIJ System have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2007 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2007 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

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DORMITORY AUTHORITY - STATE OF NEW YORK 515 BROADWAY, ALBANY, N.Y. 12207
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR GAIL GORDON, ESQ. - CHAIR

OFFICIAL STATEMENT RELATING TO

$284,810,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NORTH SHORE - LONG ISLAND JEWISH OBLIGATED GROUP
REVENUE BONDS, SERIES 2007
Consisting of
$161,545,000 Series 2007A (Fixed Rate)
$123,265,000 Series 2007B (Floating Rate)

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement is to provide information in connection with the initial offering of $284,810,000 aggregate principal amount of North Shore - Long Island Jewish Obligated Group Revenue Bonds, Series 2007, consisting of $161,545,000 Series 2007A Bonds (the "Series 2007A Bonds") and $123,265,000 Series 2007B Bonds (the "Series 2007B Bonds", and together with the Series 2007A Bonds, the "Series 2007 Bonds").

The following is a brief description of certain information concerning the Series 2007 Bonds, the Authority, North Shore University Hospital ("NSUH"), Long Island Jewish Medical Center ("LIJMC"), Glen Cove Hospital ("GCH"), Plainview Hospital ("PVH"), Forest Hills Hospital ("FHH") and the North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation ("CECR") (collectively, the "Institutions" or, individually, an "Institution"), which together comprise the members of the Obligated Group (defined herein) and North Shore - Long Island Jewish Health Care, Inc. ("NSLIJ HCI" or the "Representative"). A more complete description of such information and additional information that may affect a decision to invest in the Series 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Authority shall issue its Series 2007A Bonds, the proceeds of which will be used to (i) finance or refinance projects for NSUH, LIJMC, GCH and FHH, as described in "PART 4 - THE PLAN OF FINANCE AND REFUNDING," (ii) pay a portion of the interest on the Series 2007A Bonds, (iii) fund all or a portion of a Debt Service Reserve Fund to secure the Series 2007A Bonds, (iv) pay costs of issuance incurred in connection with the issuance of the Series 2007A Bonds, and (v) make termination payments, if required, in connection with certain interest rate exchange agreements previously executed by Members of the Obligated Group with respect to the Series 2007A Bonds. See "PART 4 - THE PLAN OF FINANCE AND REFUNDING" and "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS."

The Authority shall issue its Series 2007B Bonds, the proceeds of which will be applied to (i) refund all or a portion of (a) the Authority's Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998, (b) the Authority's North Shore University Hospital Revenue Bonds, Series 1998, (c) the Authority's North Shore University Hospital at Glen Cove Revenue Bonds, Series 1998, (d) the Authority's North Shore University Hospital at Plainview Revenue Bonds, Series 1998, (e) the Authority's North Shore University Hospital at Forest Hills Revenue Bonds, Series 1998, (f) the Authority's North Shore University Hospital Center for Extended Care and Rehabilitation Revenue Bonds, Series 1998, and (g) the Authority's North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2003 (collectively, the "Refunded Bonds"), (ii) fund all or a portion of the Debt Service Reserve Fund to secure the Series 2007B Bonds, and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2007B Bonds. See "PART 4 - THE PLAN OF FINANCE AND REFUNDING" and "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2007 Bonds will be issued, pursuant to the Act, the Authority's North Shore Health System Obligated Group Revenue Bond Resolution, dated June 24, 1998, as amended by a Supplemental Resolution, dated July 23, 2003 (the "General Resolution" or the "Resolution"), the Series 2007A Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007A adopted by the Authority on April 25, 2007 (the "Series 2007A Resolution") and the Series 2007B Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007B adopted by the Authority on April 25, 2007 (the "Series 2007B Resolution" and, together with the Series 2007A Resolution, the "Series 2007 Resolutions" and, together with the General Resolution, the "Resolutions").

Each Series of Bonds which has been or may be issued pursuant to the Resolution, including the Series 2007A Bonds and Series 2007B Bonds, are and will be separately secured by (i) the funds and accounts established pursuant to each Series Resolution, (ii) the Loan Agreement or Loan Agreements to be executed by and between the Authority and one or more Members of the Obligated Group (as defined herein) for whose benefit the Series of Bonds is issued, and (iii) Obligations (as defined herein) to be issued by the Obligated Group under the Master Trust Indenture (as defined herein). The Series 2007 Bonds and all other Series of Bonds issued pursuant to the Resolution are referred to as the "Bonds." The Series 2007A Bonds and the Series 2007B Bonds are, respectively, the eighth and ninth Series of Bonds issued under the General Resolution. Although each Series of Bonds is separately secured by the funds and accounts under its respective Series Resolution, the Obligation securing each Series or subseries of Bonds or issued in connection with each Series of Bonds or subseries of Bonds is a joint and several obligation of the Members of the Obligated Group. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS."

The Series 2007 Bonds

The Series 2007A Bonds will be dated the date of their delivery, and will bear interest from such date (payable on November 1, 2007 and on each May 1 and November 1 thereafter until maturity or the earlier redemption thereof) at the rates, and will mature at the times, set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2007 BONDS - Description of the Series 2007 Bonds."

The Series 2007B Bonds will be dated the date of their delivery, and will bear interest from such date at a LIBOR-Based Interest Rate payable on each February 1, May 1, August 1 and November 1, commencing August 1, 2007 for the period May 31, 2007 through and including July 31, 2007, until their maturity. See "PART 3 - THE SERIES 2007 BONDS - Description of the Series 2007 Bonds - The Series 2007B Bonds - *The LIBOR - Based Interest Rate*."

The Series 2007B Bonds shall bear interest at the LIBOR-Based Interest Rate, which shall be determined by the Trustee on a date that is two London Banking Days (as defined herein) preceding the first day of each LIBOR-Based Interest Accrual Period (each a "LIBOR Rate Determination Date"). The first LIBOR-Based Interest Rate thereof shall apply to the period commencing on the date of issuance of the Series 2007B Bonds and ending on the day immediately prior to the first Interest Payment Date and thereafter, each LIBOR-Based Interest Rate shall apply to the period commencing on and including an Interest Accrual Date to but not including the following Interest Payment Date (each a "LIBOR-Based Interest Accrual Period"). See "PART 3 - THE SERIES 2007 BONDS - Description of the Series 2007 Bonds."

The Authority

The Authority is a public benefit corporation of the State of New York, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational and not-for-profit institutions. See "PART 9 - THE AUTHORITY." Pursuant to the Health Care Consolidation Act, the Authority succeeded to the rights and powers of the New York State Medical Care Facilities Finance Agency.

The Institutions

Proceeds of the Series 2007 Bonds will be loaned to the following six Members of the Obligated Group:

North Shore University Hospital. NSUH is a not-for-profit hospital with campuses located in Manhasset and Syosset, New York:

> ***North Shore University Hospital (Manhasset)*** ("NSUH-M") has 788 certified beds. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 812. First chartered in 1946, NSUH-M is located in Manhasset, New York. NSUH-M is a tertiary care teaching hospital.
>
> ***North Shore University Hospital at Syosset*** ("NSUH-S") does business as Syosset Hospital. NSUH-S is a 103-certified bed hospital, specializing primarily in minimally invasive and ambulatory surgical services. NSUH-S is located in Syosset, New York.

Long Island Jewish Medical Center. LIJMC is a not-for-profit, tertiary care teaching medical center with 827 certified beds. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 867. LIJMC is comprised of the 452-bed (expected to be 492-beds when projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health) Long Island Jewish Hospital ("LIJ") for adult care, the 139-bed Schneider Children's Hospital ("SCH") for pediatric care, and the 236-bed Zucker Hillside Hospital ("ZHH") for psychiatric care, all located on a 48-acre campus in Nassau and Queens Counties, New York. LIJ was established in 1954.

Glen Cove Hospital. GCH is a 265-certified bed, not-for-profit, general acute care hospital that is located in northern Nassau County, New York.

Plainview Hospital. PVH is a not-for-profit, 232-certified bed, general acute care hospital located in Plainview, New York, primarily serving patients in eastern and central Nassau and western Suffolk Counties, New York.

Forest Hills Hospital. FHH is a not-for-profit, 312-certified bed, general acute care hospital located in Forest Hills, Queens County, New York.

North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation ("CECR") is a not-for-profit, 256-certified bed, skilled nursing facility located on a parcel of real property contiguous to the NSUH-M campus.

See "PART 7 – THE OBLIGATED GROUP" for a more complete description of the Institutions.

The NSLIJ System and the Obligated Group

The current Members of the Obligated Group are: NSUH; LIJMC; GCH; PVH; FHH and CECR. Each Member of the Obligated Group is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

The Members of the Obligated Group and NSLIJ HCI are each part of the North Shore-Long Island Jewish Health System (the "NSLIJ System") which is an integrated health care delivery system comprised of 13 hospitals, two long-term care facilities, six home healthcare agencies, three Regional Level III Trauma centers and the largest emergency services department on Long Island with the largest hospital-based EMS operation in the region, as well as certain other related entities. The NSLIJ System provides administrative and management services for its affiliated hospitals. See "PART 7 – THE OBLIGATED GROUP" for a more complete description of the NSLIJ System and the Obligated Group.

The corporate parent of the NSLIJ System, North Shore-Long Island Jewish Health System, Inc. ("NSLIJ"), a New York not-for-profit corporation, is, directly or indirectly, the sole corporate member of each entity within the NSLIJ System, including the Members of the Obligated Group.

NSLIJ HCI serves as the Representative of the Obligated Group. NSLIJ HCI is the sole corporate member of each Member of the Obligated Group, and NSLIJ is the sole corporate member of NSLIJ HCI. NEITHER NSLIJ NOR NSLIJ HCI ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, HAVE NO OBLIGATION TO PAY THE SERIES 2007 OBLIGATIONS OR THE SERIES 2007 BONDS.

Appendix B hereto contains the audited combined financial statements of the Obligated Group for the years ended December 31, 2006 and 2005.

Payment of the Series 2007 Bonds

The Series 2007A Bonds and Series 2007B Bonds are special obligations of the Authority payable solely from the Revenues pledged to such Bonds. The Revenues consist of certain payments to be made by each Institution under its separate Loan Agreement dated as of April 25, 2007 (collectively, the "2007 Loan Agreements") and to be made by the Members of the Obligated Group under Obligation No. 26 relating to the Series 2007A Bonds (the "Series 2007A Obligation") and Obligation No. 27 relating to the Series 2007B Bonds (the "Series 2007B Obligation" and, together with the Series 2007A Obligation, the "Series 2007 Obligations").

Each of the Series 2007A Obligation and Series 2007B Obligation will be issued pursuant to the Master Trust Indenture, the Supplemental Indenture for Obligation No. 26, dated as of May 1, 2007 (the "2007A Supplemental Indenture") and the Supplemental Indenture for Obligation No. 27, dated as of May 1, 2007 (the "2007B Supplemental Indenture" and, together with the 2007A Supplemental Indenture, the "2007 Supplemental Indentures") by and between the Representative, on behalf of the Members of the Obligated Group, and the Master Trustee. The respective Revenues are pledged and assigned to the Trustee to secure the respective Series 2007 Bonds. The Master Trust Indenture as so supplemented is hereinafter referred to as the "Master Indenture." See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS."

Security for the Series 2007 Bonds

The Series 2007A Bonds and the Series 2007B Bonds are each separately secured by the pledge and assignment made by the Authority, pursuant to the Resolutions, to the Trustee of the Revenues pledged to such Bonds and the funds and accounts authorized by the Resolutions and established under the respective Series 2007 Resolution (with the exception of the Arbitrage Rebate Fund) including the Debt Service Reserve Fund. Payments when due on the respective Series 2007 Bonds, and payments when due on the obligations of each Institution to the Authority under the respective 2007 Loan Agreements, will be secured by payments due on the respective Series 2007 Obligations.

The Series 2007A Obligation and the loan repayments applicable to the Series 2007A Bonds by each Institution pursuant to its respective 2007 Loan Agreement are general obligations of each Institution that will be secured by separate mortgages to be executed and delivered by NSUH, LIJMC, GCH and FHH with respect to the Series 2007A Bonds on certain property which includes its core hospital facilities (each, a "2007A Institution Mortgage"). The Series 2007A Obligation will be further secured by the 2007 Additional Mortgages (as defined herein under "--The Mortgages and the Intercreditor Agreement") of PVH and CECR. The Series 2007B Obligation and the loan repayments applicable to the Series 2007B Bonds by each Institution pursuant to its respective 2007 Loan Agreement are general obligations of each Institution that will be secured by separate mortgages to be executed and delivered by each Institution with respect to the Series 2007B Bonds on certain property which includes its core hospital facilities (each, a "2007B Institution Mortgage" and, together with each 2007A Institution Mortgage, the "2007 Institution Mortgages"). The 2007 Institution Mortgages and the 2007 Additional Mortgages are not pledged or assigned by the Authority pursuant to the Resolution to secure the Series 2007 Bonds. The Authority may, but has no present intention to, assign the 2007 Institution Mortgages and the 2007 Additional Mortgages to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - Payment of and Security for the Series 2007 Bonds" and "- The Mortgages."

The Series 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

For a more complete discussion of the security for the Series 2007 Bonds, see "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS."

The Master Indenture

Each Obligation, including the Series 2007 Obligations, heretofore or hereafter issued pursuant to the Master Indenture constitutes a joint and several obligation of each Member of the Obligated Group. As a Member of the Obligated Group, each Institution is obligated, jointly and severally with the other Members of the Obligated Group, for the payment of all Obligations issued under the Master Indenture. The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture that bind all Members of the Obligated Group.

The Mortgages and the Intercreditor Agreement

In addition to the 2007 Institution Mortgages, concurrently with the issuance of the Series 2007 Bonds and the Series 2007 Obligations, PVH and CECR will grant the Authority separate mortgages with respect to the Series 2007A Bonds on certain properties which includes their core facilities (collectively, the "2007 Additional Mortgages") to secure its obligations under the Series 2007A Obligation. The property of each Member of the Obligated Group that is subject to the 2007 Institution Mortgages and the 2007 Additional Mortgages is also subject to certain existing mortgages and leases (the "Existing Mortgages") granted to the Authority to secure existing loan agreements related to bonds issued by the Authority for certain Members of the Obligated Group (the "Pre-2007 Outstanding Authority Bonds"), and, in the case of NSUH and GCH, granted to The Bank of New York, as trustee, to secure four series of bonds issued in 2001 by the Nassau County Industrial Development Authority (the "IDA") on behalf of certain Members of the Obligated Group (the "IDA Bonds"). The 2007 Institution Mortgages, the 2007 Additional Mortgages and the Existing Mortgages are collectively referred to herein as the "Mortgages."

In connection with the issuance of bonds in 2003, the Authority, the IDA, NSUH, LIJMC, GCH, PVH, FHH, CECR, the Representative, The Bank of New York, as trustee for the Pre-2007 Outstanding Authority Bonds and the IDA Bonds, and The Bank of New York, as Security Agent, entered into an Intercreditor Agreement, as amended from time to time, providing for the enforcement and administration of remedies and, after taking into account certain amounts, the pro rata distribution of proceeds of foreclosure of the Existing Mortgages. In connection with the issuance of the Series 2007 Bonds, the Intercreditor Agreement will be amended to take into account the 2007 Institution Mortgages and the 2007 Additional Mortgages. As so amended, the Intercreditor Agreement is referred to herein, as the "Intercreditor Agreement." See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Mortgages" and " – Intercreditor Agreement."

Additional Indebtedness

Each Member of the Obligated Group, upon compliance with the terms and conditions of the Master Indenture, may incur additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, will constitute a joint and several general obligation of each Member of the Obligated Group secured on a parity by the security interest in Gross Receipts with the Series 2007 Obligations, and all other Obligations heretofore or hereafter issued under the Master Indenture. Any additional Obligation may, but need not, be secured by a mortgage on the property of the Member of the Obligated Group issuing such Obligation. Any additional Obligation that is secured by a mortgage (a "Future Mortgage") on property subject to the Mortgages will be governed by the terms and provisions of the Intercreditor Agreement and will be entitled to share on a parity basis with the Mortgages in the allocation of the proceeds from a foreclosure of all or any of the Mortgages and such Future Mortgage. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Master Indenture" and " – Intercreditor Agreement."

In addition, under certain conditions, the Members may also incur Indebtedness that is not evidenced or secured by an Obligation issued under the Master Indenture. Any such other Indebtedness may be unsecured or secured by (i) a Lien on Property to the extent such Lien is permitted under the Master Indenture or (ii) a Lien on Excluded Property. See "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures."

Additional Bonds

The General Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the General Resolution for the benefit of the Obligated Group. The Holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series. Such Series of Additional Bonds shall be secured by an Obligation.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2007 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the Mortgages, the Master Trust Indenture, the 2007 Supplemental Indentures, the Series 2007 Obligations and the Intercreditor Agreement. Copies of the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the Mortgages, the Master Trust Indenture, the 2007 Supplemental Indentures, the Series 2007 Obligations and the Intercreditor Agreement are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreements," "Appendix D - Summary of Certain Provisions of the Resolutions" and "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of and Security for the Series 2007 Bonds

General

The Series 2007 Bonds and all other Series of Bonds to be issued under the General Resolution will be special obligations of the Authority. The principal, Sinking Fund Installments and Redemption Price of, and interest on, the Series 2007 Bonds are payable, solely from, and are secured by, the Revenues pledged to such Series and the funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2007 Resolutions. The Revenues consist of the payments required to be made by each Institution under its respective 2007 Loan Agreement and to be made by the Members of the Obligated Group under the Series 2007 Obligations. The Revenues have been pledged and assigned to the Trustee for the benefit of the Holders of the Series 2007 Bonds.

The obligations of each Institution under its respective 2007 Loan Agreement are general obligations of such Institution. Payment of the principal, redemption premium, if any, and interest on the Series 2007 Bonds when due, and payment when due of the obligations of each Institution to the Authority under each 2007 Loan Agreement, will be secured by (i) payments to be made pursuant to the applicable Series 2007 Obligations and (ii) the 2007 Institution Mortgages. The Series 2007 Obligations are joint and several general obligations of each Member of the Obligated Group. The Authority has pledged and assigned the payments to be made by the Obligated Group pursuant to the Series 2007 Obligations to the Trustee for the benefit of the Series 2007 Bondholders. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The Master Indenture" and " – The Mortgages."

Each 2007 Loan Agreement obligates each Institution to make monthly payments to the Trustee in amounts sufficient to pay, among other things, each Institution's allocable portion of the principal and Sinking Fund Installments of, and interest on, the Outstanding Series 2007 Bonds as they become due. With respect to the Series 2007A Bonds, each payment will be equal to one-sixth of each Institution's allocable portion of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on or prior to the next succeeding May 1. With respect to the Series 2007B Bonds, each payment will be equal to one-third of each Institution's allocable portion of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on or prior to the next succeeding May 1. Each 2007 Loan Agreement also obligates each Institution to pay, at least 45 days prior to a redemption date of the Series 2007 Bonds called for redemption, the amount, if any, required to pay such Institution's allocable portion of the Redemption Price of such Bonds. See "PART 3 - THE SERIES 2007 BONDS - Redemption Provisions."

The Authority has directed each Institution, and each Institution has agreed, to make payments under the respective 2007 Loan Agreement directly to the Trustee. Any payments made on the Series 2007 Obligations will also be made directly to the Trustee. All of such payments will be applied by the Trustee to the payment of the principal, Sinking Fund Installments and Redemption Price of, and interest on, the Series 2007 Bonds. Any payments to be made by the Institutions to restore the Debt Service Reserve Fund will be made directly to the Trustee for deposit to the Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the funds and accounts established and pledged by the Series 2007 Resolutions (other than the Arbitrage Rebate Fund) secure only the Series 2007 Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue.

The Series 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 9 - THE AUTHORITY."

Debt Service Reserve Fund

At the time of issuance of the Series 2007 Bonds the Debt Service Reserve Fund Requirements for the Series 2007A Bonds and the Series 2007B Bonds will be an amount equal to 125% of the average annual debt service requirement of the combined debt service requirements of the Series 2007A Bonds and the Series 2007B Bonds. Such amount will then be allocated between the Series 2007A Bonds and the Series 2007B Bonds based on a pro-rated allocation of 125% of the average annual debt service requirement for such Series of Series 2007 Bonds. Once such allocation is made to the Series 2007A Debt Service Reserve Fund and the Series 2007B Debt Service Reserve Fund, such amount will represent the maximum amount which will be required to be on deposit in each respective Debt Service Reserve Fund (respectively, the "Initial DSRF"). The respective Debt Service Reserve Fund Requirements are equal to the lesser of (i) the Initial DSRF, and (ii) as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on such Outstanding Series of Bonds payable during such year, calculated using a rate of interest on the Series 2007B Bonds equal to the Swap Rate, and (b) the principal and Sinking Fund Installments of such Series of Bonds payable on or prior to May 1 of such year. To the extent that either the Series 2007A Debt Service Reserve Fund or the Series 2007B Debt Service Reserve Fund has a surplus based on a calculation made pursuant to the preceding sentence, such surplus shall first be transferred to the other Debt Service Reserve Fund to fund any deficiency therein prior to any release.

Moneys in each Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth Business Day prior to an interest payment date for the applicable Series of Series 2007 Bonds is less than the amount which is necessary to pay the principal and Sinking Fund Installments of, and interest on, such Bonds payable on such interest payment date and Redemption Price of such Bonds theretofore scheduled to be called for redemption, plus accrued interest thereon to the date of purchase or redemption. The Resolutions and each 2007 Loan Agreement require each Institution to restore each Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement by paying its proportionate share of the amount of any deficiency to the Trustee within five days after receiving notice of such deficiency. Moneys in a Debt Service Reserve Fund in excess of its applicable Debt Service Reserve Fund Requirement may be withdrawn and applied in accordance with the Resolutions.

The Master Indenture

General

Pursuant to the Master Indenture, each Obligation issued thereunder is a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants in the Master Indenture that it will not pledge or grant a security interest in any of its Property except as otherwise permitted by the Master Indenture. Concurrently with the issuance of the 2003 Obligation, the Master Indenture was amended to pledge a security interest in the Gross Receipts of each Member of the Obligated Group to the Master Trustee to secure on a parity basis all Obligations theretofore and thereafter issued under the Master Indenture. As described in "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures - Limitations on Creation of Liens" and "Limitations on Indebtedness," under certain circumstances the Members of the Obligated Group may create Liens on Property or incur Indebtedness. However, under the Master Indenture, the Members may not create or suffer to be created any Lien on Property other than Permitted Liens. The Liens created by the Mortgages are Permitted Liens. By operation of the Intercreditor Agreement, the distribution of proceeds from the enforcement or foreclosure of the Mortgages and any Future Mortgage, will be pro rata based on the outstanding principal amount (after deducting certain amounts) of the Indebtedness secured by such Mortgages and any Future Mortgage, thereby effectively placing such Indebtedness on a parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under such Mortgages and any Future Mortgage. See "Intercreditor Agreement" in this PART 2.

The Members of the Obligated Group may issue additional Obligations which will be secured on a parity basis by the security interest in Gross Receipts with the Series 2007 Obligations and all previously issued Obligations. See "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures - Limitations on Indebtedness" for a description of the conditions whereby the Members of the Obligated Group may issue additional Obligations.

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2007 OBLIGATIONS. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2007 BONDS.

Security Interest in Gross Receipts

As security for the obligations of the Members of the Obligated Group under the Master Indenture, each Member of the Obligated Group has pledged to the Master Trustee a security interest in their Gross Receipts, consisting of all receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group and all other amounts available to a Member of the Obligated Group from any other source; provided, however, that Gross Receipts do not include (x) gifts, grants, bequests, donations, and contributions and any income derived therefrom, to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with (i) paying debt service on an Obligation or (ii) meeting any commitment of a Member under a Related Loan Agreement, (y) funds which are established and maintained with fees collected in private practice by physicians who are employed by a Member of the Obligated Group, or (z) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group and the proceeds thereof and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from Excluded Property which constitutes real property. See "Appendix A - Definitions – Gross Receipts."

The security interest in Gross Receipts has been perfected to the extent, and only to the extent, that such security interest may be perfected by filing financing statements under the Uniform Commercial Code of the State of New York (the "UCC"). Continuation statements with respect to such filings must be filed as required by law to continue the perfection of such security interest. The security interest in Gross Receipts is subject to Permitted Liens that existed prior to or that may be created subsequent to the time the security interest in Gross Receipts attached and subject to the right of each Member of the Obligated Group to sell accounts receivable or incur Indebtedness secured by accounts receivable under certain circumstances, as described more fully in Appendix E. The security interest in Gross Receipts may not be enforceable against third parties unless Gross Receipts are transferred to the Master Trustee (which transfer Members of the Obligated Group are required to make only if requested by the Master Trustee after a default under the Master Indenture) and is subject to certain exceptions under the UCC. The enforcement of the security interest in Gross Receipts may be further limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal bankruptcy laws, State of New York receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture or the security interest in Gross Receipts and (vi) rights of third parties in Gross Receipts not in the possession of the Master Trustee.

The actual realization of amounts to be derived upon the enforcement of any security interest securing the Series 2007 Bonds will depend upon the exercise of various remedies specified by the 2007 Loan Agreements, the Resolution and the Master Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing law, the remedies specified by the 2007 Loan Agreements, the Resolution and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2007 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally. See "PART 8 – RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP", "Appendix C - Summary of Certain Provisions of the Loan Agreements" and "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures."

Particular Covenants

Subject to the terms of the Master Indenture, any Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become a Member of the Obligated Group. The Members of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and restricting, among other things, incurrence of Indebtedness, existence of liens on Property, consolidation and merger, disposition of assets, addition of Members of the Obligated Group and withdrawal of Members from the Obligated Group. See "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures."

Limitations on Indebtedness. The Master Indenture imposes certain limitations on the incurrence of Indebtedness by the Members of the Obligated Group. See "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures – Limitations on Indebtedness."

Long-Term Debt Service Coverage Ratio and Days Cash on Hand. Pursuant to the Master Trust Indenture, each Member of the Obligated Group covenants to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10, but the failure to meet such requirement is not an Event of Default under the Master Indenture. See "Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures – Long-Term Debt Service Coverage Ratio."

In addition, the 2007 Supplemental Indentures provide that, if, on any Semi-Annual Testing Date, (i) the Long-Term Debt Service Coverage Ratio for the Obligated Group is less than 1.25 or (ii) the number of Days Cash on Hand for the Obligated Group is less than thirty (30), then the Obligated Group shall (i) prepare a scope of work for a Consultant in form and content acceptable to the Authority, (ii) retain a Consultant acceptable to the Authority, (iii) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Obligated Group and the Authority recommending changes with respect to the operation and management of the Obligated Group's facilities, and (iv) to the extent permitted by Governmental Restrictions, implement such Consultant's recommendation in a timely manner. Failure on the part of the Obligated Group to satisfy the provisions set forth in this paragraph is not an Event of Default under the Master Indenture, and the sole remedies for noncompliance will be the right to seek specific performance.

Each Member of the Obligated Group also covenants in the 2007 Supplemental Indentures that in no event shall the Long-Term Debt Service Coverage Ratio be less than 1.00, and the failure to meet such requirement is an Event of Default under the Master Indenture.

The Mortgages

In connection with the delivery of the Series 2007A Bonds, NSUH, LIJMC, GCH and FHH will each execute and deliver to the Authority a separate 2007A Institution Mortgage (as defined in "PART 1 – INTRODUCTION – Security for the Series 2007 Bonds") to secure the payments required to be made by those Institutions in connection with the Series 2007A Bonds pursuant to their respective 2007 Loan Agreement and the Series 2007A Obligation. To further secure the Series 2007A Obligation, PVH and CECR will each execute and deliver a 2007 Additional Mortgage (as defined in "PART 1 – INTRODUCTION – The Mortgages and the Intercreditor Agreement").

In connection with the delivery of the Series 2007B Bonds, each Institution will execute and deliver to the Authority a separate 2007B Institution Mortgage (as defined in "PART 1 – INTRODUCTION – Security for the Series 2007 Bonds") to secure the payments required to be made by the Institutions in connection with the Series 2007B Bonds pursuant to their respective 2007 Loan Agreement and the Series 2007B Obligation.

The Authority may, but has no present intention to, assign the 2007 Institution Mortgages to the Trustee for the benefit of the Holders of the Series 2007 Bonds. The property of each Member of the Obligated Group that is subject to the 2007 Institution Mortgages and the 2007 Additional Mortgages is also subject to the Existing Mortgages (as defined in "PART 1 – INTRODUCTION – The Mortgages and the Intercreditor Agreement") granted to the Authority to secure existing loan agreements related to the Pre-2007 Outstanding Authority Bonds, and, in the case of NSUH and GCH, granted to The Bank of New York, as trustee, to secure the IDA Bonds. The Resolution authorizes the Authority to release, amend or discharge any of the Existing Mortgages securing an existing loan agreement related to a Series of the Pre-2007 Outstanding Authority Bonds.

Intercreditor Agreement

The Intercreditor Agreement will govern the administration and enforcement of the Mortgages and any Future Mortgage. The Intercreditor Agreement provides for the administration and enforcement of remedies and, in certain circumstances, the pro rata distribution of the proceeds from such Mortgages and any Future Mortgage.

THE AVAILABILITY OF REMEDIES UNDER THE 2007 LOAN AGREEMENTS AND THE SERIES 2007 OBLIGATIONS UPON DEFAULT MAY BE LIMITED BY THE INTERCREDITOR AGREEMENT.

The Intercreditor Agreement provides for the pro rata allocation in certain circumstances of the proceeds of foreclosure of all or any of the Mortgages and any Future Mortgage to payment of certain outstanding Obligations including the Series 2007 Obligations, that secure the Pre-2007 Outstanding Authority Bonds, the IDA Bonds and the Series 2007 Bonds. The pro rata allocation of such proceeds is based on the outstanding par amount of each series of bonds or Obligation secured by such Mortgages and any Future Mortgage less certain amounts available for the payment for each series or Obligation.

The Intercreditor Agreement requires the parties thereto to provide certain notices with respect to events of default under the Agency Documents or Authority Documents (each as defined in the Intercreditor Agreement), to specify the proposed remedial action, and, in certain circumstances, to obtain the consent of the other parties prior to exercising certain Restricted Remedies (as defined in the Intercreditor Agreement), including acceleration of the related bonds. If the consent of the other party is not obtained, the party that provided notice of such event of default may, in some circumstances, be prohibited from exercising certain remedies for up to 120 days following the occurrence of an event of default. In addition, under certain circumstances the trustee for the Pre-2007 Outstanding Authority Bonds or the Trustee may be able to accelerate the Pre-2007 Outstanding Authority Bonds or the Series 2007 Bonds, respectively, and foreclose on the Mortgages securing the Pre-2007 Outstanding Authority Bonds or the Series 2007 Bonds, respectively, without obtaining the consent of or coordinating with the other parties to the Intercreditor Agreement, although the proceeds of such foreclosure would be applied pro rata in accordance with the Intercreditor Agreement.

Events of Default and Acceleration under the Resolution

The following constitute events of default under the General Resolution with respect to each Series of the Series 2007 Bonds: (i) a default by the Authority in the payment of the principal, Sinking Fund Installments or Redemption Price of, or interest on, any Series 2007 Bond; (ii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2007 Bonds or in the General Resolution or in the applicable Series 2007 Resolution which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of Outstanding of the applicable Series of Series 2007 Bonds), unless the default is not capable of being cured within 30 days, the Authority has commenced to cure the default within 30 days and is diligently prosecuting such cure; (iii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2007 Bonds from gross income under the Code; or (iv) an "Event of Default," as defined in each of the 2007 Loan Agreements, shall have occurred and is continuing and all sums payable by the defaulting Institution under the applicable 2007 Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled).

The General Resolution provides that if an event of default occurs and continues (except in the case of an event of default described in clause (iii) of the preceding paragraph), the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds of a given Series, declare the principal of, and interest on, all Outstanding Series 2007 Bonds of such Series 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 shall, with the written consent of the Holders of not less than 25% in principal amount of a given Series of Series 2007 Bonds not yet due by their terms and then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the General Resolution with respect to such annulment.

The General Resolution also provides that if any event of default (including the occurrence and continuance of an event of default described in clause (iii) of the first paragraph under this caption) occurs and continues, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds of a given Series, shall proceed to protect and enforce its rights and the rights of the Holders under the Resolution.

The General Resolution provides that the Trustee shall give notice to the Holders within 30 days of each event of default known to the Trustee, in each case after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment or Redemption Price of, or interest on, any of the Series 2007 Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2007 Bonds.

PART 3 - THE SERIES 2007 BONDS

Description of the Series 2007 Bonds

General

The Series 2007A Bonds

The Series 2007A Bonds will be issued pursuant to the Act, the Resolution and the Series 2007A Resolution. The Series 2007A Bonds will be dated their date of delivery, and will bear interest from such date (payable on November 1, 2007 and on each May 1 and November 1 thereafter until final maturity or redemption thereof) at the rates set forth on the inside cover page of this Official Statement.

The Series 2007A Bonds will be issued, as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2007A 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 2007A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2007A Bonds, the Series 2007A Bonds will be exchangeable for other fully registered certificated Series 2007A Bonds of the same maturity in any authorized denominations, maturity and interest rate. See "Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2007A Bond. The cost, if any, of preparing each new Series 2007A Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2007A Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Series 2007A Bonds will be paid to any owner of $1,000,000 or more in aggregate principal amount of Series 2007A Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five days prior to the Record Date. As long as the Series 2007A 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.

<u>The Series 2007B Bonds</u>

The Series 2007B Bonds will be issued pursuant to the Act, the Resolution and the Series 2007B Resolution. The Series 2007B Bonds will be dated the date of their delivery, and will bear interest at a LIBOR-Based Interest Rate payable on each February 1, May 1, August 1 and November 1, commencing August 1, 2007 for the period May 31, 2007 through and including July 31, 2007, until their maturity.

The Series 2007B Bonds will be issued, as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2007B 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 2007B Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2007B Bonds, the Series 2007B Bonds will be exchangeable for other fully registered certificated Series 2007B Bonds of the same maturity in any authorized denominations, maturity and interest rate. See "Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2007B Bond. The cost, if any, of preparing each new Series 2007B Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2007B Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Series 2007B Bonds will be paid to any owner of $1,000,000 or more in aggregate principal amount of Series 2007B Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five days prior to the Record Date. As long as the Series 2007B 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.

The LIBOR-Based Interest Rate. The Series 2007B Bonds shall bear interest at the LIBOR-Based Interest Rate, which shall be determined by the Trustee on a date that is two London Banking Days (as defined herein) preceding the first day of each LIBOR-Based Interest Accrual Period (each a "LIBOR Rate Determination Date"). The first LIBOR-Based Interest Rate thereof shall apply to the period commencing on the date of issuance of the Series 2007B Bonds and ending on the day immediately prior to the first Interest Payment Date and thereafter, each LIBOR-Based Interest Rate shall apply to the period commencing on and including an Interest Accrual Date to but not including the following Interest Payment Date (each a "LIBOR-Based Interest Accrual Period"). The term "Interest Accrual Date" means for the first LIBOR-Based Interest Accrual Period, the date of issuance of the Series 2007B Bonds and, thereafter, each Interest Payment Date (whether or not a Business Day). The term "Interest Payment Date" means the day payment of such interest will be made to the Holders of record on the applicable Record Date, which will be the 15th day of the calendar month preceding the calendar month in which the related Interest Payment Date falls. The term "London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange currency deposits) in London.

No interest rate on the Series 2007B Bonds may exceed the lesser of 15% per annum or the maximum rate permitted by law. Interest shall be computed on the basis of a 365- or 366-day year, as appropriate, and the actual number of days elapsed.

Calculating the LIBOR-Based Interest Rate. The LIBOR-Based Interest Rate for the Series 2007B Term Bonds due May 1, 2018 will be the rate of interest per annum determined by the Trustee to be equal to the sum of (a) 67% of the Three-Month LIBOR Rate plus (b) a per annum spread equal to 0.73% (73 basis points), provided that the LIBOR-Based Interest Rate will never exceed the Maximum Rate of 15% per annum. The LIBOR-Based Interest Rate for the Series 2007B Term Bonds due May 1, 2033 will be the rate of interest per annum determined by the Trustee to be equal to the sum of (a) 67% of the Three-Month LIBOR Rate plus (b) a per annum spread equal to 0.83% (83 basis points), provided that the LIBOR-Based Interest Rate will never exceed the Maximum Rate of 15% per annum.

As soon as possible after 11:00 a.m., New York City time, on each LIBOR-Based Rate Determination Date, but in no event later than 11:00 a.m., New York City time, on the Business Day immediately following each LIBOR Rate Determination Date, the Trustee will notify the Holders and the Institutions of the LIBOR-Based Interest Rate for the next LIBOR-Based Interest Accrual Period.

The "Three-Month LIBOR Rate" for each LIBOR-Based Interest Accrual Period means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the LIBOR Rate Determination Date, except that, if such rate does not appear on such page on the LIBOR Rate Determination Date, the Three Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on the LIBOR Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by a market agent appointed by the Trustee to identify such Reference Banks (herein referred to as the "Market Agent"). The Market Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Market Agent, at approximately 11:00 a.m., New York City time, on the LIBOR Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Market Agent is then quoting rates for such loans, then the Three Month LIBOR Rate for the ensuing interest period will mean the Three Month LIBOR Rate then in effect in the immediately preceding LIBOR-Based Interest Accrual Period.

Redemption Provisions

Optional Redemption

The Series 2007A Bonds

The Series 2007A Bonds maturing after May 1, 2017 are subject to redemption prior to maturity, at the election or direction of the Authority, on or after May 1, 2017, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2007A Bonds being redeemed plus accrued interest to the redemption date.

The Series 2007B Bonds

The Series 2007B Bonds maturing after May 1, 2017 are subject to redemption prior to maturity, at the election or direction of the Authority, on or after May 1, 2017, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2007B Bonds being redeemed plus accrued interest to the redemption date.

The Series 2007B Bonds are also subject to optional redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised upon request of the Obligated Group or the Representative), in whole or in part, in such amounts as may be specified by the Institutions (i) on any date prior to May 1, 2017 (the "Par Call Date"), at a Redemption Price equal to the Spread Premium for such Series 2007B Bonds and (ii) on any date on or after the Par Call Date, at a Redemption Price equal to 100% of the principal amount thereof, without premium, plus in each case accrued interest to the date fixed for redemption (the "Redemption Date").

For purposes of this provision, the ‘‘Spread Premium" shall be calculated as follows:

1. A hypothetical cash flow schedule shall be calculated by assuming that principal of the Series 2007B Bonds called for redemption would be payable on the Par Call Date and that interest on such Series 2007B Bonds would be payable quarterly on each February 1, May 1, August 1 and November 1 until, and including, the Par Call Date (each a "Quarterly Payment Date") at a rate per annum equal to the sum of (a) 67% of the USD-ISDA-Swap Rate plus (b) the spread above the percentage of the Three-Month LIBOR Rate at which such Series 2007B Bonds bear interest.

2. Each principal and interest payment in the hypothetical cash flow schedule determined in accordance with the preceding paragraph shall be discounted as of each Quarterly Payment Date to the Redemption Date at a discount rate equal to the sum of (a) 67% of the USD-ISDA-Swap Rate plus (b) 0.73% (73 basis points) per annum with respect to the Series 2007B Term Bonds due May 1, 2018 and 0.83% (83 basis points) per annum with respect to the Series 2007B Term Bonds due May 1, 2033, as the case may be.

3. The sum of the present values of such principal and interest payments as of the Redemption Date determined pursuant to the preceding paragraph shall be the Spread Premium.

For purposes of this calculation,

"USD-ISDA-Swap Rate" means the rate for U.S. dollar swaps maturing on May 1, 2017, expressed as a percentage, which appears on the Reuters Money 3000 Service on the page designated ISDAFIX1 (or such other page as may replace that page on such service for the purpose of displaying comparable rates) at 11:00 a.m., New York City time, on the day which is two U.S. Government Securities Business Days prior to such date. If such rate does not appear on such page on such day, then "USD-ISDA-Swap Rate" for such maturity and date shall mean the percentage determined on the basis of mid-market semiannual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately such time on such day as the mean of the bid and offered rates for the semiannual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with an effective date of the relevant early termination date and a termination date equal to such maturity, in an amount that is representative for a single transaction in such market at such time, with an acknowledged dealer of good credit in such market, where the floating rate, calculated on the basis of a 360-day year for actual days elapsed, is equal to the London Interbank Offered Rate for loans with a three-month duration.

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading U.S. government securities.

Special Redemption

The Series 2007A Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount of Series 2007A Bonds to be redeemed at the option of the Authority, on any interest payment date, from (i) the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or the Mortgaged Property, or (ii) from unexpended proceeds of the Series 2007A Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Mandatory Redemption

The Series 2007A Bonds

The Series 2007A Bonds described below are also subject to redemption prior to maturity, in part, on each May 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on May 1 of each year the principal amount of Series 2007A Bonds specified for each of the years shown below:

2007A Term Bonds
Maturing on May 1, 2032

Year	Amount
2028	$6,405,000
2029	6,730,000
2030	7,075,000
2031	7,440,000
2032†	7,820,000

† Final Maturity.

2007A Term Bonds
Maturing on May 1, 2037

Year	Amount
2033	$8,220,000
2034	8,645,000
2035	9,085,000
2036	9,550,000
2037†	10,040,000

† Final Maturity.

The Authority may from time to time direct the Trustee to purchase Series 2007A Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2007A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable Series 2007A Bonds of the same maturity. Each Institution also may purchase Series 2007A Bonds and apply any Series 2007A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable Series 2007A Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchase, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2007A Bonds of the maturity so purchased will be reduced for such year.

The Series 2007B Bonds

The Series 2007B Bonds described below are also subject to redemption prior to maturity, in part, on each May 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments, as follows:

Series 2007B Bonds
Maturing on May 1, 2018

Year	Amount
2008	$ 200,000
2009	215,000
2010	220,000
2011	225,000
2012	240,000
2013	3,850,000
2014	4,020,000
2015	10,485,000
2016	10,910,000
2017	11,395,000
2018†	11,610,000

† Final Maturity.

Series 2007B Bonds
Maturing on May 1, 2033

Year	Amount
2019	$11,660,000
2020	12,335,000
2021	7,200,000
2022	7,500,000
2023	7,820,000
2024	2,745,000
2025	2,875,000
2026	1,910,000
2027	1,985,000
2028	2,075,000
2029	2,160,000
2030	2,260,000
2031	2,355,000
2032	2,455,000
2033†	2,560,000

† Final Maturity.

The Authority may from time to time direct the Trustee to purchase Series 2007B Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2007B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable Series 2007B Bonds of the same maturity. Each Institution also may purchase Series 2007B Bonds and apply any Series 2007B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable Series 2007B Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchase, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2007B Bonds of the maturity so purchased will be reduced for such year.

Selection of Series 2007 Bonds to be Redeemed

In the case of Series 2007 Bonds to be redeemed at the election or direction of the Authority, the Authority will select the maturities and principal amounts of a given Series of Series 2007 Bonds to be redeemed. If less than all of a maturity of a Series of the Series 2007 Bonds are to be redeemed, the Series 2007 Bonds of such Series and maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee in its discretion shall consider proper.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2007 Bonds in the name of the Authority by mailing a notice of redemption, by first class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date, to the registered owners of the Series 2007 Bonds which are to be redeemed, at their last known addresses appearing on the registration books not more than 10 business days prior to the date such notice is given. The failure of any such registered owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2007 Bonds.

If on the redemption date moneys for the redemption of the Series 2007 Bonds of like Series and maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, then interest on the Series 2007 Bonds of such Series and maturity will cease to accrue from and after the redemption date and such Series 2007 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2007 Bonds, see "Appendix D – Summary of Certain Provisions of the Resolution."

Purchase in Lieu of Optional Redemption

The Series 2007 Bonds are subject to purchase by the Trustee at the direction of the Institutions with the consent of the Authority, prior to maturity, on the same terms that would apply to the Series 2007 Bonds if the Series 2007 Bonds were then being optionally redeemed.

Notice of Purchase in Lieu of Redemption

Notice of the purchase of the Series 2007 Bonds as described under "Purchase in Lieu of Optional Redemption" above, will be given in the name of the Institutions to the registered owners of the Series 2007 Bonds of a Series to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the purchase date specified in such notice. The Series 2007 Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2007 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2007 Bonds are called for purchase in lieu of an optional redemption, such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2007 Bonds and such Series 2007 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described herein.

The Institutions' obligation to purchase or cause to be purchased a Series 2007 Bond is conditioned upon the availability of sufficient money to pay the purchase price for all of the Series 2007 Bonds to be purchased on the purchase date. If sufficient money is available on the purchase date to pay the purchase price of the Series 2007 Bonds to be purchased, the former registered owners of such Series 2007 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the purchase price. If sufficient money is not available on the purchase date for payment of the purchase price, the Series 2007 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the purchase date, who will be entitled to the payment of the principal of and interest on such Series 2007 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2007 Bonds of a given Series are to be purchased, the Series 2007 Bonds of such Series to be purchased will be selected by lot in the same manner as Series 2007 Bonds to be redeemed in part are to be selected.

Book-Entry Only System

The Depository Trust Company ("DTC"), has acted and will act, respectively, as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued, as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each Series of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, 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 certificates. Direct Participants includes 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, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Series 2007 Bonds are to be accomplished by entries made on the books of

Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2007 Bonds except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 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 2007 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 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2007 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 the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2007 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 detailed information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds, distributions, and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Institutions and the Obligated Group Members believes to be reliable, but none of the Authority, the Institutions, the Obligated Group Member or the Underwriters takes responsibility for the accuracy thereof.

So long as Cede & Co. is the Registered Owner of the Series 2007 Bonds, as nominee of DTC, references herein to the Bondowners or Registered Owners of the Series 2007 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2007 Bonds.

PART 4 - THE PLAN OF FINANCE AND REFUNDING

The Series 2007A Bonds

The Series 2007A Bonds are being issued to (i) finance or refinance projects for NSUH, LIJMC, GCH and FHH described below, (ii) pay a portion of the interest on the Series 2007A Bonds, (iii) fund all or a portion of a Debt Service Reserve Fund to secure the Series 2007A Bonds, (iv) pay costs of issuance incurred in connection with the issuance of the Series 2007A Bonds, and (v) make termination payments, if required, in connection with certain interest rate exchange agreements previously executed by Members of the Obligated Group as qualified hedges with respect to the Series 2007A Bonds.

The Series 2007A Projects

The following projects will be financed with a portion of the proceeds of the Series 2007A Bonds:

NSUH Project: (1) renovation and conversion of the 9th floor of the Don Monti Pavilion to include approximately 24 new medical-surgical beds; (2) expansion and renovation of the Emergency Department, (3) relocation of Ambulatory Radiology, Urology and Mammography Departments to new space which will be renovated at I-Park, located at 1111 Marcus Avenue, Lake Success, New York 11042 (the "I-Park Campus"), (4) construction and renovation of space to accommodate the acquisition and installation of a 3T magnetic resonance imaging (MRI) scanner, and (5) equipment purchases and utility upgrades related to all of the foregoing. Proceeds of the Series 2007A Bonds may also be used to finance renovation, repair and equipment purchases that functionally support or are related to the items described in this paragraph or expenditures for the LIJMC Project, the Glen Cove Project and/or the Forest Hills Project described below.

LIJMC Project: (1) construction and renovation of an approximately 36,000 square foot addition to the emergency department and the phased renovation of the existing emergency department, (2) construction of a 26-bed critical care unit above the dietary department of LIJMC, (3) expansion and renovation of cardiology department, (4) construction and renovation of an addition to the electrophysiology laboratory, (5) renovation of nuclear cardiology and related relocations, (6) construction of an approximately 359,120 square foot parking garage containing approximately 1,150 parking spaces, (7) renovation of a cardiology holding unit, (8) acquisition and installation of an emergency generator, and (9) equipment purchases and utility upgrades related to all of the foregoing. Proceeds of the Series 2007A Bonds may also be used to finance renovation, repair and equipment purchases that functionally support or are related to the items described in this paragraph or expenditures for the NSUH Project, the Glen Cove Project and/or the Forest Hills Project described herein.

Glen Cove Hospital Project: Renovations and upgrades to the third floor of the Glen Cove Hospital, including respiratory medical unit rooms, corridors, the nurses station and locker room, utility rooms, storage rooms, the solarium and elevator lobby, with equipment purchases and utility upgrades related to all of the foregoing. Proceeds of the Series 2007A Bonds may also be used to finance renovation, repair and equipment purchases that functionally support or are related to the items described in this paragraph or expenditures for the LIJMC Project, the NSUH Project and/or the Forest Hills Project described herein.

Forest Hills Hospital Project: (1) the construction of a facility for an MRI, (2) renovation of brickwork and façade at the Forest Hills Hospital, and (3) improvements to the utility systems at Forest Hills Hospital (including HVAC improvements). Proceeds of the Bonds may also be used to finance renovation, repair and equipment purchases that functionally support or are related to the items described in this paragraph. Proceeds of the Series 2007A Bonds may also be used to finance renovation, repair and equipment purchases that functionally support or are related to the items described in this paragraph or expenditures for the NSUH Project, the LIJMC Project and/or the Glen Cove Project described above.

See “Appendix C - Summary of Certain Provisions of the 2007 Loan Agreements – Construction of Project – Project Allocation” for certain provisions of the 2007 Loan Agreements relating to the Projects.

The Series 2007B Bonds and the Refunded Bonds

The Series 2007B Bonds are being issued to (i) refund the Refunded Bonds listed in the following table, (ii) fund all or a portion of the Debt Service Reserve Fund to secure the Series 2007B Bonds, and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2007B Bonds. See “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

REFUNDED BONDS

Series	Maturity Date	Coupon	Amount Refunded	Partial or Whole Maturity Refunding	Redemption Date	Redemption Price (expressed as a percentage of principal amount)
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2018	5.000%	$ 36,485,000	Whole	7/1/2008	101%
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2025	5.000%	11,280,000	Whole	7/1/2008	101
North Shore University Hospital Revenue Bonds, Series 1998[(1)]	11/1/2017	5.200%	14,245,000	Partial	11/1/2008	101
North Shore University Hospital Revenue Bonds, Series 1998[(1)]	11/1/2019	5.250%	10,775,000	Partial	11/1/2008	101
North Shore University Hospital Revenue Bonds, Series 1998[(1)]	11/1/2023	5.000%	9,570,000	Partial	11/1/2008	101
North Shore University Hospital at Glen Cove Revenue Bonds, Series 1998[(1)]	11/1/2017	5.000%	1,135,000	Partial	11/1/2008	101
North Shore University Hospital at Glen Cove Revenue Bonds, Series 1998[(1)]	11/1/2023	5.000%	1,790,000	Partial	11/1/2008	101
North Shore University Hospital at Plainview Revenue Bonds, Series 1998[(1)]	11/1/2017	5.000%	1,915,000	Partial	11/1/2008	101
North Shore University Hospital at Plainview Revenue Bonds, Series 1998[(1)]	11/1/2023	5.000%	4,790,000	Partial	11/1/2008	101
North Shore University Hospital at Forest Hills Revenue Bonds, Series 1998[(1)]	11/1/2017	5.000%	3,175,000	Partial	11/1/2008	101
North Shore University Hospital at Forest Hills Revenue Bonds, Series 1998[(1)]	11/1/2023	5.000%	5,855,000	Partial	11/1/2008	101
North Shore University Hospital Center for Extended Care and Rehabilitation Revenue Bonds, Series 1998[(1)]	11/1/2017	5.000%	2,030,000	Partial	11/1/2008	101
North Shore University Hospital Center for Extended Care and Rehabilitation Revenue Bonds, Series 1998[(1)]	11/1/2020	5.000%	1,560,000	Partial	11/1/2008	101
North Shore - Long Island Jewish Obligated Group Revenue Bonds, Series 2003	5/1/2023	5.375%	15,450,000	Whole	5/1/2013	100
North Shore - Long Island Jewish Obligated Group Revenue Bonds, Series 2003	5/1/2033	5.500%	20,850,000	Whole	5/1/2013	100
Total………………………………………………			$140,905,000			

[(1)] The amounts to be refunded will be applied pro-rata against the mandatory sinking fund installments of each refunded term bond.

A portion of the proceeds of the Series 2007B Bonds will be used with other available moneys to refund a portion of the Refunded Bonds. Upon the issuance of the Series 2007B Bonds, such proceeds are expected to be used to acquire noncallable direct obligations of the United States of America (the “Investment Securities”), the principal of and interest on which, when due, together with any initial cash deposit, will provide moneys sufficient to pay the principal and redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the date fixed for redemption.

The Investment Securities will be deposited with the trustee upon the issuance and delivery of the Series 2007B Bonds, and will be held in trust solely for the payment of the redemption price of and interest on the Refunded Bonds. At the time of or prior to such deposit, the Authority will give the trustee irrevocable instructions to give notice of the refunding and redemption of the Refunded Bonds and to apply the proceeds from the Investment Securities, together with any initial cash deposit, to the payment of the principal and redemption price of and interest on the Refunded Bonds. In the opinion of Bond Counsel, upon making such deposits with the trustee and the issuance of certain irrevocable instructions to the trustee, the Refunded Bonds will, under the terms of the resolutions pursuant to which they were issued, be deemed to have been paid and will no longer be outstanding under said resolutions, and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the applicable prior resolutions shall be discharged and satisfied. See "PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATION."

Cash Defeasance

On or about the date of issuance of the Series 2007 Bonds, the Obligated Group intends to use moneys provided by the Foundation (as defined herein) to defease the 2007 through 2012 maturities of the Authority's Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998 listed in the following table in order to reduce Maximum Annual Debt Service ("MADS") by creating more level future debt service requirements. See "PART 7-THE OBLIGATED GROUP–Management's Discussion and Analysis For The Year Ended December 31, 2006" herein. Such defeasance, in conjunction with the refunding of the Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998 listed in the preceding table, will account for a complete redemption of all bonds of that issue.

DEFEASED BONDS

Series	Maturity Date	Coupon	Amount Refunded	Partial or Whole Maturity Refunding	Redemption Date	Redemption Price (expressed as A percentage of principal Amount)
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2007	4.500%	$ 9,815,000	Whole	N/A	N/A
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2008	5.000%	10,260,000	Whole	N/A	N/A
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2009	5.250%	10,775,000	Whole	7/1/2008	101
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2010	5.250%	11,335,000	Whole	7/1/2008	101
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2011	5.250%	11,935,000	Whole	7/1/2008	101
Long Island Jewish Medical Center Insured Revenue Bonds, Series 1998	7/1/2012	5.250%	5,095,000	Whole	7/1/2008	101
Total…………………………			$59,215,000			

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PART 5 - ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each Fiscal Year ending December 31, (i) the amounts required to be paid by the Obligated Group to the Bond Trustee in each Fiscal Year for the payment of principal of (whether at maturity or pursuant to sinking fund redemptions) and interest on the Series 2007A Bonds and Series 2007B Bonds and (ii) total debt service on all other long-term debt of the Obligated Group. In some cases, totals in the following table may not foot due to rounding.

Fiscal Year Ending December 31,	Debt Service on the Series 2007A Bonds		Debt Service on the Series 2007B Bonds[1]		Total Debt Service On Other Outstanding Long-Term Debt of the Obligated Group	Total Debt Service on All Long-Term Debt of the Obligated Group
	Principal	Interest	Principal	Interest		
2007	$ -	$ 3,249,281	$ -	$ 2,215,969	$ 55,364,269	$ 60,829,520
2008	2,600,000	7,694,631	200,000	5,278,933	44,659,224	60,432,788
2009	2,705,000	7,588,531	215,000	5,270,276	45,297,943	61,076,750
2010	2,815,000	7,478,131	220,000	5,261,202	42,145,505	57,919,838
2011	2,930,000	7,363,231	225,000	5,251,919	42,483,097	58,253,247
2012	3,050,000	7,243,631	240,000	5,242,219	43,010,646	58,786,496
2013	3,175,000	7,119,131	3,850,000	5,156,902	39,839,790	59,140,823
2014	3,305,000	6,989,531	4,020,000	4,992,734	40,197,500	59,504,765
2015	3,440,000	6,852,481	10,485,000	4,690,159	33,525,502	58,993,142
2016	3,585,000	6,707,591	10,910,000	4,243,860	33,207,515	58,653,965
2017	3,740,000	6,554,175	11,395,000	3,778,577	33,164,120	58,631,872
2018	3,900,000	6,391,825	11,610,000	3,298,693	30,736,123	55,936,641
2019	4,085,000	6,206,825	11,660,000	2,801,562	25,132,607	49,885,994
2020	4,295,000	5,997,325	12,335,000	2,276,912	24,885,542	49,789,779
2021	4,515,000	5,777,075	7,200,000	1,849,779	18,069,740	37,411,594
2022	4,750,000	5,545,450	7,500,000	1,528,364	17,508,844	36,832,657
2023	4,990,000	5,301,950	7,820,000	1,193,392	17,529,584	36,834,925
2024	5,245,000	5,046,075	2,745,000	962,388	12,676,342	26,674,805
2025	5,515,000	4,777,075	2,875,000	839,507	13,237,268	27,243,849
2026	5,800,000	4,494,200	1,910,000	734,883	13,024,930	25,964,012
2027	6,095,000	4,199,850	1,985,000	649,718	13,041,584	25,971,152
2028	6,405,000	3,890,375	2,075,000	560,947	13,030,428	25,961,749
2029	6,730,000	3,562,000	2,160,000	468,348	12,341,480	25,261,828
2030	7,075,000	3,216,875	2,260,000	371,705	9,464,176	22,387,757
2031	7,440,000	2,854,000	2,355,000	270,798	8,068,750	20,988,548
2032	7,820,000	2,472,500	2,455,000	165,627	8,082,000	20,995,127
2033	8,220,000	2,071,500	2,560,000	55,974	8,103,000	21,010,474
2034	8,645,000	1,649,875	-	-	8,095,500	18,390,375
2035	9,085,000	1,206,625	-	-	-	10,291,625
2036	9,550,000	740,750	-	-	-	10,290,750
2037	10,040,000	251,000	-	-	-	10,291,000
TOTAL	$161,545,000	$150,493,497	$123,265,000	$69,411,346	$705,923,005	$1,210,637,848

[1] Debt service on the Series 2007B term bond maturing in 2018 is calculated at a fixed swap rate of 4.172%, and debt service on the Series 2007B term bond maturing in 2033 is calculated at a fixed swap rate of 4.373%.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2007 Bonds:

Sources:	**Series 2007A**	**Series 2007B**	**Total**
Bond Proceeds:			
Principal Amount	$161,545,000	$123,265,000	$284,810,000
Original Issue Discount	(13,835)	-	(13,835)
Original Issue Premium	4,783,051	-	4,783,051
	$166,314,216	$123,265,000	$289,579,216
Equity Contribution	$ 17,657,764	-	$ 17,657,764
Other Available Funds	-	$ 33,515,847	33,515,847
Total Sources:	**$183,971,980**	**$156,780,847**	**$340,752,827**

Uses:	**Series 2007A**	**Series 2007B**	**Total**
Deposit to Construction Fund	$163,297,760	-	$163,297,760
Refunding Escrow Deposit	-	$146,007,940	146,007,940
Capitalized Interest	2,960,161	-	2,960,161
Debt Service Reserve Fund	13,036,610	8,049,796	21,086,406
Cost of Issuance	3,294,826	1,841,766	5,136,592
Underwriter's Discount	1,142,123	881,345	2,023,468
Swap Termination Payment[1]	240,500	-	240,500
Total Uses:	**$183,971,980**	**$156,780,847**	**$340,752,827**

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(1) In March 2007 the Obligated Group entered into a series of floating to fixed rate interest rate swaps to lock in long term fixed rates for the Series 2007A Bonds. On May 8, 2007, the swaps were terminated and the Obligated Group will pay an amount to the counterparties equal to the termination value as of the date of sale of the Series 2007A Bonds.

PART 7 - THE OBLIGATED GROUP

Introduction

The Members of the North Shore-Long Island Jewish Obligated Group (as hereinbefore defined the “Obligated Group”) are: Long Island Jewish Medical Center (as hereinbefore defined “LIJMC”), North Shore University Hospital (as hereinbefore defined “NSUH”), Glen Cove Hospital (as hereinbefore defined “GCH”), Plainview Hospital (as hereinbefore defined “PVH”), Forest Hills Hospital (as hereinbefore defined “FHH”) and North Shore University Hospital Stern Family Center For Extended Care and Rehabilitation (formerly known as North Shore University Hospital Center for Extended Care and Rehabilitation, as hereinbefore defined “CECR”). The Obligated Group Representative is North Shore-Long Island Jewish Health Care, Inc. (as hereinbefore defined, the “Representative” or “NSLIJ HCI”), which is not a Member of the Obligated Group and, therefore, is neither obligated under the Master Indenture nor responsible for the payment of the debt service on the Series 2007 Bonds. The Members of the Obligated Group and NSLIJ HCI are each a part of the North Shore - Long Island Jewish Health System (as hereinbefore defined, the “NSLIJ System”), an integrated healthcare delivery system comprised of certain hospitals, other healthcare providers and related entities. See “Organizational Chart” herein.

North Shore - Long Island Jewish Health System

According to a survey of healthcare systems in the United States in the June 12, 2006 issue of *Modern Healthcare*, the NSLIJ System is the third (3^{rd}) largest not-for-profit secular healthcare system (ranked by 2005 staffed acute-care beds), the 18^{th} largest healthcare system (ranked by 2005 Net Patient Revenue) and the 6^{th} largest healthcare system operating home-care agencies (ranked by number of visits in 2005). With 31,715 full-time and part-time employees in Nassau County, Suffolk County, and Queens, the NSLIJ System is the largest employer on Long Island, New York (according to *Newsday*, May 15, 2006) and the 9th largest employer in New York City with 12,857 full-time employees located in New York City (according to *Crain's New York Business*, March 27, 2006). Furthermore, NSLIJ System with 22,666 full-time employees ("FTEs") (according to 2004 data from the American Hospital Association Annual Survey of Hospitals) is ranked the 23^{rd} largest health system nationally based on total number of FTEs. The NSLIJ System had $4.1 billion in revenues for the year ended December 31, 2006 (revenues of the Obligated Group represented 68% of the consolidated revenues of the NSLIJ System for such period).

The NSLIJ System includes the following healthcare providers: 13 hospitals, two long-term care facilities, six home healthcare agencies, three Regional Level III Trauma centers and the largest emergency services department on Long Island with the largest hospital-based EMS operation in the region, as well as certain other related entities. In addition, the NSLIJ System provides over 1,600 community education programs and currently conducts 91 accredited residency and fellowship training programs involving 1,200 enrolled physicians-in-training. Furthermore, the NSLIJ System annually trains approximately 1,200 medical students from five area medical schools.

The ultimate corporate parent of the NSLIJ System, North Shore-Long Island Jewish Health System, Inc. (as hereinbefore defined, "NSLIJ"), is a New York not-for-profit corporation which is, directly or indirectly, the sole corporate member of each entity within the NSLIJ System, including NSUH, LIJMC and the other Members of the Obligated Group. NSLIJ was formed on October 29, 1997, through the affiliation of the existing North Shore Health System ("NSHS") with LIJMC. NSHS and LIJMC each retained their individual corporate identities upon their affiliation. The Chief Executive Officer of NSLIJ is also the Chief Executive Officer of NSUH, LIJMC and each of the Obligated Group Members.

In 1998, all of the Members of the Obligated Group, except LIJMC, formed the North Shore Health System Obligated Group pursuant to the Master Indenture. For various purposes, including increased potential for raising future capital, the Boards of Trustees of LIJMC and each of the members of the North Shore Health System Obligated Group authorized the creation of a borrowing entity consisting of LIJMC and the members of the North Shore Health System Obligated Group in December of 2002. In connection with the creation of the new financial entity, and upon issuance of bonds in 2003, NSHS was renamed North Shore-Long Island Jewish Health Care, Inc. (as hereinbefore defined, "NSLIJ HCI"), and serves as the representative of the expanded Obligated Group, which includes LIJMC. NSLIJ HCI is the sole corporate member of each Member of the Obligated Group, which includes LIJMC, and NSLIJ is the sole corporate member of NSLIJ HCI.

The not-for-profit entities in the NSLIJ System are New York not-for-profit corporations which do not have "stockholders" but instead have "members" which have rights similar to those of stockholders, including the right to elect trustees. With NSLIJ as their direct or indirect sole corporate member and common ultimate parent, all the entities in the NSLIJ System are considered to be under common control for antitrust and other legal purposes and, thus, may conduct joint managed care contracting and other joint activities, including strategic planning.

Certain of the entities within the NSLIJ System, including each of the Members of the Obligated Group, share a common board and management, while certain other hospitals and healthcare institutions in the NSLIJ System have different boards and management. Although all the entities in the NSLIJ

System share NSLIJ as their common ultimate corporate parent, those entities which share a common board and management are sometimes referred to as being "commonly managed" while entities with different boards and management are sometimes referred to as being "sponsored." All of the commonly managed and sponsored entities remain as separate corporations with their own regulatory licenses and all other attributes of a separate corporate existence.

In addition to the "commonly managed" and "sponsored" members, several healthcare institutions on Long Island have contractual relationships, terminable on specified written notice, which permit them to cooperate with the NSLIJ System on matters relating to healthcare delivery, clinical research and healthcare education for the benefit of their respective communities and the furtherance of their respective missions. The following organizational chart sets forth the principal entities that comprise the NSLIJ System, and the map shows the location of each of the commonly managed and sponsored hospitals in the NSLIJ System.

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Members of the Obligated Group

Each Member of the Obligated Group is a New York not-for-profit corporation that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code, and each is established as a hospital under Article 28 of the Public Health Law of the State of New York ("PHL").

Long Island Jewish Medical Center (as hereinbefore defined, "LIJMC") is a not-for-profit, tertiary care teaching medical center with 827 certified beds. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 867. LIJMC is comprised of the 452-bed (expected to be 492-beds when projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health) Long Island Jewish Hospital (as hereinbefore defined, "LIJ") for adult care, the 139-bed Schneider Children's Hospital (as hereinbefore defined, "SCH") for pediatric care, and the 236-bed Zucker Hillside Hospital (as hereinbefore defined, "ZHH") for psychiatric care, all located on a 48-acre campus in Nassau and Queens Counties, New York. LIJ was established in 1954. See "THE OBLIGATED GROUP MEMBERS - Long Island Jewish Medical Center" herein for additional information.

North Shore University Hospital (as hereinbefore defined, "NSUH") is a not-for-profit hospital with campuses located in Manhasset and Syosset, New York:

<u>North Shore University Hospital (Manhasset)</u> ("NSUH-M") has 788-certified beds. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 812. First chartered in 1946, NSUH-M is located in Manhasset, New York. NSUH-M is a tertiary care teaching hospital.

<u>North Shore University Hospital at Syosset</u> ("NSUH-S") NSUH-S does business as Syosset Hospital. NSUH-S is a 103-certified bed hospital, specializing primarily in minimally invasive and ambulatory surgical services. NSUH-S is located in Syosset, New York.

See "THE OBLIGATED GROUP MEMBERS - North Shore University Hospital" herein for additional information.

Glen Cove Hospital ("GCH") is a not-for-profit, 265-certified bed, general acute care hospital that is located in northern Nassau County, New York. See "THE OBLIGATED GROUP MEMBERS – Glen Cove" herein for additional information.

Plainview Hospital ("PVH") is a not-for-profit, 232-certified bed, general acute care hospital located in Plainview, New York, primarily serving patients in eastern and central Nassau and western Suffolk Counties, New York. See "THE OBLIGATED GROUP MEMBERS – Plainview Hospital" herein for additional information.

Forest Hills Hospital ("FHH") is a not-for-profit, 312-certified bed, general acute care hospital located in Forest Hills, Queens County, New York. See "THE OBLIGATED GROUP MEMBERS – Forest Hills Hospital" herein for additional information.

North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation ("CECR") is a not-for-profit, 256-certified bed, skilled nursing facility located on a parcel of real property contiguous to the NSUH-M campus. See "THE OBLIGATED GROUP MEMBERS - North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation" herein for additional information.

THE FOLLOWING AFFILIATES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NEITHER OBLIGATED UNDER THE MASTER INDENTURE NOR RESPONSIBLE FOR PAYMENT OF THE DEBT SERVICE ON THE SERIES 2007 BONDS.

Hospital Affiliates

The Members of the Obligated Group have certain affiliates that are directly or indirectly under the common control of NSLIJ. ***These affiliates are not Members of the Obligated Group and, therefore, are neither obligated under the Master Indenture nor responsible for the payment of the debt service on the Series 2007 Bonds***. The following is a brief description of the hospital affiliates, which are under common control.

Other Commonly Managed Hospitals

As separate corporations, no other NSLIJ entities are obligated legally for the debt of Franklin (as hereinafter defined) or Southside (as hereinafter defined) except for the prior financial commitments by NSLIJ HCI and the North Shore-Long Island Jewish Health System Foundation as mentioned in "Management's Discussion and Analysis", "Philanthropy" and "OTHER NSLIJ COMMONLY MANAGED HOSPITALS" herein.

Franklin Hospital ("Franklin") is a not-for-profit, 305-certified bed, general acute care hospital in Valley Stream, Nassau County, New York, which was established in 1963 and joined NSHS (now NSLIJ HCI) in 1996 pursuant to a sponsorship agreement with a separate board and management. In addition, Franklin operates a 120-bed skilled nursing facility, the Orzac Extended Care and Rehabilitation Division, which adjoins the hospital.

In September 2002, Franklin became a commonly managed hospital when its board and officers resigned, and the members of the NSLIJ Board and officers were elected to fill comparable roles for Franklin.

Southside Hospital ("Southside") is a not-for-profit, 361-certified bed, general acute care hospital in Bay Shore on Long Island, Suffolk County, New York, which was established in 1911 and joined NSHS (now NSLIJ HCI) in 1996 pursuant to a sponsorship agreement. On September 22, 2005, Southside became a commonly managed entity of the NSLIJ System when its board and officers resigned and the members of the NSLIJ Board and officers were elected to fill comparable roles for Southside. See "OTHER NSLIJ COMMONLY MANAGED HOSPITALS" herein for additional information on Southside.

Sponsored Entities

Huntington Hospital is a not-for-profit, 408-certified bed, general acute care hospital in northwestern Suffolk County, which was established in 1916 and joined NSHS (now NSLIJ HCI) in 1994 pursuant to a sponsorship agreement. It provides comprehensive healthcare services to inpatients, outpatients, and emergency patients who are residents of Huntington Township, as well as other areas of Nassau and Suffolk Counties.

Staten Island University Hospital ("SIUH") is a not-for-profit, 780-certified bed, acute care tertiary teaching hospital with two sites in Staten Island, New York. The merger of Staten Island Hospital and Richmond Memorial Hospital formed SIUH in 1987. Staten Island Hospital was established in 1869, and Richmond Memorial Hospital was established in 1919. SIUH joined NSHS (now NSLIJ HCI) in 1996 pursuant to a sponsorship agreement.

Hospice Care Network ("Hospice Care") is a not-for-profit hospice program located in Westbury, New York, which provides professional and volunteer services to patients in the terminal stage of disease in the form of physical, psychosocial and spiritual care for dying patients and their families. Hospice Care joined the NSLIJ System in March 1999 pursuant to a sponsorship agreement.

Centralized Services, Common Objectives and Coordinated Clinical Leadership of the NSLIJ System, NSLIJ HCI and the Obligated Group Members

Centralized Services

The NSLIJ System supports its affiliated hospitals by providing a strategic planning framework, administrative resources and developing programs necessary to meet their community objectives in a fiscally responsible manner. Centralized services with consolidated management for the Obligated Group include:

- Finance
- Quality Management
- Medical Emergency Transportation System, Coordinated Bioterrorism and Emergency Service Response
- Material Support Services
- Purchasing
- Facilities Design and Construction
- Marketing
- Physician Services
- Billing
- Geriatrics and Longevity Center to Coordinate Elderly Patients' Clinical Needs
- System-wide Approach to Nursing Recruitment and Retention
- Information Systems
- Strategic Planning
- Centralized Laboratory
- Human Resources
- Insurance/ Risk Management
- In-house Legal Counsel
- Medication Usage
- Faculty Practice Plan
- Managed Care Contracting
- Workforce Development/ Center for Learning and Innovation
- Financial Assistance Policy

Common Objectives

Although the strategic planning framework is the same for all the hospitals in the NSLIJ System, each hospital has a unique relationship with its community and the NSLIJ System in the support of its objectives. Objectives common to each hospital in the NSLIJ System include:

- Foster recognition by the community as a comprehensive, quality, community-based acute care hospital.
- Develop and integrate target programs that will complement existing clinical strengths.
- Sustain relationships within historical markets.
- Develop closer relationships with community physicians within the strategic market area.
- Develop closer relationships with other healthcare providers and community based organizations within the strategic market area.
- Develop financially viable inpatient programs to sustain the hospital.
- Provide the community with health education and promotion activities utilizing physicians and other staff members.

Coordinated Clinical Leadership

Clinical programs that are currently coordinated across the health system by single appointed clinical leadership, in addition to the aforementioned administrative services, are: Behavioral Health, Cancer Care Services, Cardiovascular Services, Children's Health Services including Satellite Pediatric Specialty Centers, Continuing Care – Home Care, Continuing Care – Hospice, Continuing Care – Rehabilitation, Continuing Care – Skilled Nursing, Diagnostic Imaging Services, Emergency Services, Radiation Oncology, Research, and Women's Health Services. Centralized services and clinical integration provide economies-of-scale and standardized quality care while helping to establish branding of the NSLIJ System. In addition, integrated management aligns hospital and NSLIJ System strategic plans.

In 2004, a joint senior management administrative team was appointed to oversee the vision of "One Hospital with Two Campuses" for NSUH-M and LIJMC, the two flagship tertiary hospitals. A joint medical director was appointed to serve as the liaison between medical staff and administration at both hospitals, ensuring that physicians get the support they need to care for their patients safely, efficiently and effectively. The majority of departments or divisions have been unified under the leadership of a single chair who oversees the coordination and standardization of care for both the NSUH-M and LIJMC campuses.

Centers of Excellence

The NSLIJ System is currently expanding centers of excellence system-wide in neurosciences, tertiary cardiac care, cancer, orthopedics and ambulatory surgery. The Center for Advanced Medicine and The Institute for Orthopedic Science described below are part of this strategy.

Center for Advanced Medicine

In 2005, NSLIJ commenced creating a new 450,000-square-foot Article 28 state-of-the-art outpatient treatment center known as the North Shore-Long Island Jewish Health System Center for Advanced Medicine at I. Park in Lake Success, NY. The Center for Advanced Medicine is located across from LIJMC's campus and two miles from NSUH-M's campus.

An ambulatory surgery center was the first program opened within the Center for Advanced Medicine in the summer of 2005. The 23,000-square-foot facility includes four state-of-the-art operating rooms and five pre-surgical testing consultation rooms. The operations fall under LIJMC's operating certificate.

A stand alone 37,000 square-foot ambulatory cancer center called the Monter Cancer Center opened in spring 2006. The Monter Cancer Center features 32 private chemotherapy treatment stations with 23 exam and consultation rooms, physician offices, social work and support services, nutrition counseling, a bone marrow-stem cell transplant program, a patient education center, and a conference room with high-tech teleconferencing abilities. The Monter Cancer Center houses all of the comprehensive outpatient hematology-oncology programs formerly based at the Don Monti Cancer Center at NSUH-M. LIJMC's outpatient cancer services are scheduled to be relocated to the Monter Cancer Center in 2007 after construction of a 20,000-square-foot addition is completed. The operations fall under NSUH's operating certificate.

In July 2006, a 15,700-square-foot diagnostic imaging center specializing in outpatient services was opened. The new imaging center features 16-slice CT scanning, a SPECT/CT, MRI, PET scanning, combined PET/CT scanning, ultrasound, X-ray radiography and nuclear medicine. The operations fall under NSUH's operating certificate.

In February 2007, the Smith Institute for Urology (the "Smith Institute") opened at the Center for Advanced Medicine. The 18,500 square-foot Smith Institute provides medical and surgical care in all aspects of adult and pediatric urology with care provided by international leaders in the areas of endourology, kidney and ureteral calculi, incontinence, laparoscopy, neurourology, prostate cancer, bladder cancer, renal cell carcinoma, testicular cancer, interstitial cystitis, prostatitis, infectious diseases and benign prostatic hyperplasia. Housed within the Smith Institute will be state-of-the-art centers for treating the gamut of urological diseases, including centers focusing on pelvic pain and men's health. The Smith Institute falls under NSUH's operating certificate.

Also in February 2007, the Center for Advanced Medicine consolidated breast imaging services previously offered by NSUH-M and LIJMC at two separate outpatient locations. The new centralized facility, The Schlanger/Gottlieb/Partners Breast Imaging Center (the "Breast Imaging Center") includes 7,500 square feet of space and is expected to help reduce patient waiting times for mammography and other breast services. The Breast Imaging Center also falls under NSUH's operating certificate.

The Institute for Orthopedic Science

In late 2006, the NSLIJ System formed The Institute for Orthopedic Science ("The Orthopedic Institute") to bring together the expertise of more than 200 orthopedic specialists many of whom are nationally and internationally recognized in the treatment of the entire spectrum of musculoskeletal disorders. By bringing together the orthopedic programs of NSLIJ System's hospitals in Long Island, Queens and Staten Island, The Orthopedic Institute will share best practices, coordinate quality measurement and coordinate continuum of care from diagnosis to surgery to rehabilitation. The Orthopedic Institute will also focus on advancing scientific research and professional education. A major goal of NSLIJ System is to serve as a destination for patients seeking world-class, comprehensive orthopedic care.

NSLIJ System Awards

The Verispan "IHN 100" is a national rating system designed to evaluate integrated health networks on their performance and degree of integration. Of the 587 integrated health networks currently operating in the United States, the IHN rating system profiles each of the top 100 networks based on eight broad success factors: outpatient utilization; technology integration; hospital utilization; financial stability; services and access; contractual capabilities; number of physicians and the variety of specialty services offered; and overall integration. Based on the IHN 2007 ranking, the NSLIJ System received a total point score of 78.4 out of 100, was ranked 76th in the nation and was the only system in downstate New York State to make the list. This ranking represents an improvement from the IHN 2005 and 2006 results whereby the NSLIJ System was ranked 95th and 81st, respectively in the nation.

In 2006, The Healthcare Association of New York State (HANYS) awarded its sixth annual Pinnacle Award for Quality and Patient Safety to the NSLIJ System. The award recognized the NSLIJ System's efforts to dramatically reduce hospital-associated infections over two years using standardized processes, vigorous monitoring and performance analysis across nine hospitals, which represented 22 intensive care units and 330 total hospital beds. As a result of its "Targeting Zero Hospital-Associated Infections by Standardizing Practices" project, the NSLIJ System attained zero hospital associated infections in many areas of the programs in a short time and impacted quality dramatically throughout the NSLIJ System.

Research

Research is a vital component of the operations of the NSLIJ System, which is in the top six percent (6%) nationally in funding from the more than 3,000 institutions worldwide that receive support from the National Institutes of Health ("NIH"). The Feinstein Institute for Medical Research (the "Research Institute"), an affiliate shown in the "Organizational Chart" which is not a Member of the Obligated Group, is one of the fastest-growing biomedical research institutes in the country. The Research Institute is located in Manhasset, New York adjacent to NSUH-M. The Research Institute was incorporated in 1983 and is an integral part of the NSLIJ System. Due to this unique relationship, the Research Institute's investigators have access to hundreds of thousands of patients, positioning the Research Institute as a national leader in translational research. The Research Institute has a staff of approximately 450 researchers conducting more than 1,100 ongoing research projects. During the twelve-month period ended December 31, 2006, these studies received funding from federal, state and private funding agencies, totaling $54.0 million in multi-year awards.

The Research Institute's investigators work to cure human disease. This is the driving force behind all of their activities which include conducting basic science experiments and clinical investigations; establishing technology transfer standards; and teaching graduate school courses, investigative medicine seminars and community outreach programs. Research Institute investigators hold patents for experimental drugs that are in various stages of clinical and preclinical testing for arthritis, cancer, cardiac disease, sepsis, shock, trauma and other inflammatory conditions.

The Research Institute's principal investigators are internationally acclaimed authorities in their scientific and medical fields. They have won prestigious awards, belong to exclusive scientific and medical honor societies, and are invited worldwide to lecture about their research. Discoveries made at the Research Institute have been published in the most prestigious scientific and medical journals, such as Science, Nature, Nature Medicine, Lancet, The New England Journal of Medicine, The Journal of Experimental Medicine, and The Journal of Clinical Investigation and Proceedings of the National Academy of Sciences. The Research Institute offers a high quality research environment — one that encourages collaboration among basic science and clinical investigators. Such collaborations drive success in translational research, which brings about some of the most significant advances in medicine and treatment options for patients. The Research Institute has several unique infrastructure elements that create a quality environment:

- A world-class Biostatistics Unit provides investigators with statistical support from start to finish, including study design, data collection and results analysis.
- A state-of-the-art cyclotron and Food and Drug Administration-approved radiochemistry facility manufactures radiopharmaceuticals on site for use in the Research Institute's positron emission tomography (PET) suite.
- An NIH-funded Early-Phase Schizophrenia Center focuses on understanding the development of and best treatments for schizophrenia.
- An NIH-funded General Clinical Research Center offers investigators state-of-the-art facilities for designing, implementing and conducting clinical research studies and a central location for coming face-to-face with the volunteers and patients involved in their research studies.
- A Laboratory of Medicinal Biochemistry, which complements the Research Institute's drug discovery efforts, develops and streamlines preclinical testing methods.
- A Laboratory of Medicinal Chemistry, which functions as a collaborative institutional group, develops novel small molecules based upon the mechanisms of disease discovered by other Research Institute investigators.
- Molecular Medicine, an international, peer-reviewed biomedical science journal published by the Research Institute and ranked in the top 20th percentile of all research journals, is committed to reporting the fast-breaking developments in molecular medicine that will make personalized medicine a reality.
- The North Shore-LIJ Graduate School of Molecular Medicine, an affiliate shown in the "Organizational Chart" which is not a Member of the Obligated Group and which is staffed by the Research Institute, offers recent medical school graduates a unique opportunity to earn a PhD degree in molecular medicine, with the vision of pursuing a career in translational research.
- The Tissue Donation Program supports biomedical research by collecting, storing and distributing to scientists biological samples, a service that allows our scientists to focus their efforts on research rather than developing an individualized method for obtaining biological materials for their studies.
- The Research Institute is the NIH grant receiving entity for the commonly managed hospitals of the NSLIJ System, though research is also conducted in laboratories on the LIJMC campus, at the Center for Clinical Research and Technology in Staten Island and at other locations within the NSLIJ System. LIJMC is a charter member of the Biomedical Research Alliance of New York and a founding member of the Academic Medicine Development Company, both of which are collaborative clinical research organizations.

In 2006, the NSLIJ System announced plans for the Harvey Cushing Institutes of Neuroscience with a mission to provide state-of-the-art medical care while contributing to advances in research and education from which an improved understanding of the causes, prevention and treatment of disease can come. When completed, it will comprise a continuum of clinical and investigative neuroscience programs and evolving neuroscience institutes in specific clinical areas. To date, NSLIJ has established The Chiari Institute, The Movement Disorders Institute, The Brain Aneurysm Center and Neurovascular and Stroke Institute. Future plans call for adding an Epilepsy Institute, an Institute for Neurorehabilitation, a Spine Institute, a Brain Tumor Institute, a Pain Institute, an Institute for Neuromuscular and Peripheral Nerve Diseases, an Institute for Neurodegenerative Diseases, an Institute of Pediatric Neurosciences and an

Institute of Neuroregeneration. Each institute is organized as a multidisciplinary, disease-focused center of excellence in the clinical and investigative sciences.

Philanthropy

North Shore-Long Island Jewish Health System Foundation (an affiliate which is not a Member of the Obligated Group) (as hereinabove defined, the "Foundation") conducts fundraising efforts for the NSLIJ commonly managed entities within the NSLIJ System for capital projects and to support certain designated programs at the benefiting institutions. At the end of fiscal year 2005, NSLIJ System completed its successful New Century Campaign to raise approximately $300 million to fund various planned projects and programs, as well as to build an endowment. The campaign exceeded expectations as the Foundation was successful in raising $370 million in pledges and cash.

As of December 31, 2006, the Obligated Group's cumulative share of the Foundation's unexpended pledges receivable and cash was $93.6 million (which is reflected in the financial statements of the Members of the Obligated Group as $12.4 million in unrestricted pledges and cash in Other Assets, and $81.2 million in temporarily restricted pledges and cash for capital projects or programs in Assets Limited As To Use). See "Appendix B - Audited Combined Financial Statements of the North Shore-Long Island Jewish Obligated Group for the Years Ended December 31, 2005 and 2006.

NSLIJ System announced in late September 2006 a new $500 million five-year campaign called Challenge 2010. Challenge 2010 has raised $23.1 million pledges and cash through December 31, 2006.

The Foundation has guaranteed a $20 million bank loan made to FHH and a $10 million line of credit to NSUH-M. In addition, the Foundation is fulfilling the $10 million conditional pledge made by NSLIJ HCI to Southside, for outpatient and ambulatory care initiatives by making ten consecutive $1 million annual gifts to Southside in connection with certain indebtedness incurred by Southside in 2002, which Southside intends to use to repay a loan it obtained to construct an ambulatory care facility and other renovations to Southside's facilities. In conjunction with such conditional pledge, and subject to the satisfaction of certain financial conditions, the Foundation will make supplemental gifts to Southside, on an annual basis, which are intended to offset Southside's interest payments on such loan. See "Management's Discussion and Analysis" herein.

Financial Assistance Policy

The NSLIJ System is committed to providing accessible, quality medical services regardless of an individual's financial circumstances. To further its mission of providing the highest quality of care to all patients, regardless of their ability to pay, the NSLIJ System launched a major initiative to offer care at reduced fees for individuals and families who lack insurance and cannot afford to pay out of pocket. The centerpiece of this far-reaching community health advocacy plan is a financial assistance policy that establishes reduced fees for needy patients seeking medically necessary inpatient, outpatient, emergency, ancillary, ambulatory, primary or specialty care at NSLIJ System facilities. Eligibility is based on income and family size, and is available for families earning up to three times the federal poverty level. Individuals are also screened for Medicaid and other government-subsidized insurance programs like Child Health Plus and Family Health Plus. NSLIJ System's policy exceeds the requirements for providing financial assistance to low-income, uninsured patients enacted by the New York State Legislature.

In addition, the NSLIJ System is expanding outreach programs to underserved communities and the working poor in Nassau and Queens Counties.

Market

The Members of the Obligated Group and the other hospitals in the NSLIJ System operate within a highly competitive healthcare market comprised of Nassau and Suffolk Counties on Long Island, and New York, Queens and Richmond Counties in New York City. The service areas of the hospitals in this healthcare market tend to overlap due in part to their close geographic proximity. While these hospitals typically have a number of core services to meet the healthcare needs of the local community, many also offer nationally and internationally recognized specialty programs. See "Market" under each Obligated Group Member's section herein and "PART 8—RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP."

Hospitals, continuing care facilities, and other healthcare providers in New York continue to be challenged to deliver the highest quality care under sustained cost pressures. These pressures are a result of the following: a highly competitive marketplace, compounded by the pressures of providing care in a managed care environment; the continued impact of the Balanced Budget Act of 1997 and New York State's hospital inpatient financing system that was first implemented in 1997; and the conversion of the outpatient reimbursement system to Ambulatory Payment Classifications in 2000. A major response to this rapidly changing environment has been the formation of health systems or networks - entities that comprise the full spectrum of health services and facilities including hospitals, continuing care facilities, community-based ambulatory care facilities, physicians, home healthcare services, and other services - that are designed to improve efficiency, secure market share, and provide comprehensive services across the full continuum of care.

The market served by the NSLIJ System experienced the formation of a number of competing healthcare systems over the past few years. In addition to the NSLIJ System, the following organizations operate primarily on Long Island: (i) *Winthrop South Nassau University Health System*, which is comprised of two Nassau County Hospitals: Winthrop-University Hospital Association and South Nassau Communities Hospital; (ii) New Island Hospital; (iii) *Catholic Health Services of Long Island*, a health system comprised of two hospitals in Nassau County (St. Francis Hospital and Mercy Medical Center) and three hospitals in Suffolk County (St. Charles Hospital and Rehabilitation Center, St. Catherine of Siena and Good Samaritan Hospital Medical Center); (iv) Nassau University Medical Center, with which NSLIJ System has a contractual relationship, terminable on specified written notice; (v) Stony Brook University Hospital in an alliance with Peconic Bay Medical Center and Eastern Long Island Hospital; (vi) Southampton Hospital, a member of New York-Presbyterian Health System; and (vii) Peninsula Hospital Center in Queens, New York with which NSLIJ System has a contractual relationship, terminable on specified written notice.

In the market serviced by the NSLIJ System, healthcare system development has primarily been the result of efforts of major medical centers in Manhattan, New York. The *New York Presbyterian Health System* has one hospital in Queens, New York (New York Hospital Medical Center of Queens) as well as a number of other hospitals in New Jersey and in Brooklyn, Manhattan, Bronx, Suffolk and Westchester County, New York. *Mount Sinai* has one hospital in Queens, New York (Mount Sinai Queens Hospital) as well as one hospital in Manhattan, New York. The *New York City Health and Hospitals Corporation*, in addition to having nine hospitals in the Bronx, Brooklyn and Manhattan, also has the following two hospitals in Queens: Elmhurst Hospital Center and Queens Hospital Center. Caritas Health Care Planning, Inc. acquired Mary Immaculate and St. John's Queens Hospitals from Saint Vincent Catholic Medical Centers in January 2007.

According to Statewide Planning and Research Cooperative System data as of June 2006, the hospitals of the NSLIJ System in their service area, which is comprised of Nassau County, Suffolk County, Queens County and Richmond County, hold a 30.4% share of the inpatient market. The 30.4% market share of the NSLIJ System is apportioned as follows: 1) Members of the Obligated Group (19.2%) and 2) Franklin, Southside and the sponsored hospitals (11.2%). The next largest single competitor, *Catholic Health Services of Long Island*, holds an 11.9% market share. The remaining market share is apportioned as follows: *New York Presbyterian Health System (includes Wyckoff Heights Medical Center, an affiliate)* (8.6%), *Winthrop South Nassau University Health System* (7.3%), *New York City Health and Hospitals Corporation* (6.6%), *Caritas Health Care Planning, Inc.* (3.2%), *St. Vincent's Catholic Medical Centers* (2.4%), *Mount Sinai (*2.3%*), NYU Health System* (1.3%) and other institutions (26.0%).

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Nursing

The Obligated Group has not been affected by the nursing shortage to the same extent as other hospitals in the country and has a lower vacancy rate than the national average. The average vacancy rate for the Obligated Group was 4.5% for 2005 and 3.1% for 2006 (through June) versus a national average of 8.5% and a statewide average of 7%.

The Obligated Group creates a practice environment, which attracts and retains well-qualified nurses by fostering high regard for nurses and providing quality care. Furthermore, NSLIJ System has initiated many programs to retain and recruit nurses. These include access to advanced education, mentoring and childcare programs.

To help ease new graduates as well as experienced med/surg nurses into Specialty Nursing areas, NSLIJ began a Critical Care Nurse Fellowship in June 2005 and an Emergency Department Nurse Fellowship Program in September 2006. The fellows are hired as full-time nurses with comparable pay and benefits. The Fellowship Program consists of three semesters. During the three semesters, NSLIJ enlists various educational modalities including on-line critical care core curricula and emergency department core curricula, specialty lectures, mentoring by Master Fellows and program coordinators, clinical simulation and one-to-one mentoring by an associate fellow. After one year, the nurses graduate from the Fellowship program and commit to working for the NSLIJ Health System for another year. The investment in recruiting and intensively educating fellows has yielded significant savings in overtime and staff agency fees as well as a reduction in the nurse vacancy rate.

In 2001, NSLIJ System commenced a Registered Nurse On-Site Education program. To assist the nursing staff to advance their education, NSLIJ System currently has contracts with Molloy College, Adelphi University and CW Post (Long Island University) to offer their Masters and Bachelors Nursing programs in NSLIJ System facilities. These programs have agreed to defer payment for courses to the end of each semester and all courses taken on the hospital premises are at a discounted tuition rate. NSLIJ System also has an on-site nursing education program for an Associate Degree in Nursing with Nassau Community College, and Farmingdale State University offers an Associate Degree in Nursing at the college. The North Shore-Long Island Jewish Health System's Institute for Nursing offers an array of continuing education programs.

Among the many university affiliations that NSLIJ System has developed with nursing schools is the affiliation with the Case Western Reserve University Frances Payne Bolton School of Nursing in Cleveland, Ohio. More than 50 advance practice nurses from North Shore-LIJ hospitals are now enrolled in the doctor of nursing practice (DNP) at Case. Established in the fall of 2006, Case faculty members teach courses either in Ohio or in Connecticut. Depending upon thesis requirements, it is anticipated that some students may graduate as early as spring 2008.

Licensure and Accreditation

The Members of the Obligated Group are each licensed by the New York State Department of Health and have obtained three-year accreditation from the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") following unannounced surveys throughout 2005. The Obligated Group members are also certified by the United States Department of Health and Human Services for participation in the Medicare and Medicaid programs.

The NSLIJ System participates in the National Hospital Quality Alliance (HQA) to report selected quality indicators publicly. The System was one of the first health systems in the country to volunteer to take part in the Hospital Quality Incentive, a three-year demonstration project from the Centers for Medicare and Medicaid Services. This "pay-for-performance" demonstration pilot launched in 2003 offers increased Medicare reimbursements for high quality care as determined by specific quality measures in five clinical areas: heart failure, community-acquired pneumonia, acute myocardial infarction, coronary artery bypass graft surgery and hip and knee replacements.

Each Member of the Obligated Group has received a determination letter from the Internal Revenue Service indicating that it has been qualified as a charitable exempt organization described in Section 501(c)(3) of the Code.

Governance

NSLIJ HCI and each Member of the Obligated Group are separate New York not-for-profit corporations governed by a separate Board of Trustees. Notwithstanding the separate corporate organization of each Member of the Obligated Group, the individuals who comprise the Board of Trustees of NSLIJ HCI also comprise the Board of Trustees for each Member of the Obligated Group, as well as NSLIJ. In addition, the Chief Executive Officer of NSLIJ HCI and of each Member of the Obligated Group is an ex-officio member of the Board of Trustees of NSLIJ HCI and each Member of the Obligated Group, with voting powers. The trustees are divided into three (3) classes whose members serve for overlapping three-year terms.

The Boards of Trustees of NSLIJ, NSLIJ HCI and the Obligated Group Members

The following is a list of the members of the Board of Trustees of NSLIJ, NSLIJ HCI and each Member of the Obligated Group, including their business affiliations/occupations, as of April 11, 2007.

Trustee Name	Occupation
Allan L. Abramson, M.D.	Chairman, Dept. of Otolaryngology, Long Island Jewish Medical Center
Richard S. Abramson	Sr. Vice President & National Managing Director, Bernstein Investment Research and Management
Ira I. Altfeder	President, Imperial-Harvard Label, Inc.
Philip S. Altheim	Bellway Electric
Michael L. Ashner	President/CEO, Winthrop Financial Associates
Beverly VP. Banker	Businesswoman
Morton M. Bass	President, Morton M. Bass, P.C.
Charles M. Berger	Chairman of the Board, The Scotts Company
Patricia Bloomgarden	Businesswoman
Eric S. Blumencranz	Partner/Executive Vice President, BWD Group, LLC
Roger A. Blumencranz	President, BWD Group, LLC
E. Steve Braun	Cushman & Wakefield, Inc.
Dayton T. Brown, Jr.	Chairman, Dayton T. Brown, Inc.
Mark Broxmeyer	President, Fairfield Properties
Allen E. Busching	Partner, B&B Capital Corp.
Rudolph C. Carryl	Managing Director, CRT Asset Management
Robert W. Chasanoff	Chasanoff Properties
Mark Claster	Managing Director, Carl Marks & Co., Inc.
Diana F. Colgate	Civic Leader
Daniel C. de Roulet	President, Patrina Corporation
Lorinda de Roulet	Businesswoman
Thomas E. Dooley	Sr. Executive Vice President, Chief Administrative Officer and Chief Financial Officer, Viacom
Michael J. Dowling	President & CEO, North Shore-Long Island Jewish Health System
Melvin Dubin	Chairman of the Board, Slant/Fin Corp.
Michael A. Epstein	Partner, Weil, Gotshal & Manges, LLP
Leonard Feinstein	Co-Chairman, Bed, Bath & Beyond
Michael E. Feldman	Partner, Proskauer Rose LLP
Anthony C. Ferreri	President & CEO, Staten Island University Hospital
Arlene Lane Fisher	Businesswoman
Eugene B. Friedman, M.D.	Park Pediatrics, LLP
Robert L. Fromer	Managing Partner, Hartman & Craven, LLP
Dale G. Frost	Vice President, Kingly Manufacturing Corp.

* Citigroup is an underwriter of the Series 2007 Bonds.

Trustee Name	Occupation
Arnold S. Penner	Arnold S. Penner Real Estate Investments
Arthur J. Pergament	CEO, Pergament Advisors, LLC
John J. Raggio	Vice President, Sealift Inc.
Lewis S. Ranieri	Chairman & CEO, Ranieri & Co., Inc.
Jay R. Raubvogel	Retired Manufacturer
Dennis Riese	Chairman and CEO, The Riese Organization
Terry P. Rifkin, M.D.	Great Neck Obstetrics & Gynecology, PC
Gerald L. Roberts	Special Consultant, Walter T. Gorman, P.E., P.C.
Robert A. Rosen	Chairman & CEO, Rosen Associates Management Corp.
Alan S. Rosenberg, M.D.	President, North Shore Cardiology and Internal Medicine Association
Marcie Rosenberg	Director of Development, Tilles Center for the Performing Arts C.W. Post Campus of Long Island University
Robert D. Rosenthal	Chairman & CEO, First Long Island Investors, LLC
Jack J. Ross	Managing Director, Waterfall Asset Management LLC
Barry Rubenstein	Managing Partner, Wheatley Partners
Herbert Rubin	President, Herzfeld & Rubin, P.C.
Scott Rudolph	Chairman & President, NBTY, Inc.
Michael H. Sahn	Senior Partner, Sahn Ward & Baker, PLLC
Frank W. Scarangello, Sr.	Scaran Oil Service Heating & Air Conditioning Co.
Lawrence Scherr, M.D.	Academic Dean Emeritus & Historian, NSLIJ
Norman Schlanger	Philanthropist, former New York Stock Exchange Member
Irving Schneider	Chairman & C.O.O., Helmsley-Spear, Inc.
Lynn C. Schneider	Architect
John M. Shall	Partner, DeSantis, Kiefer & Shall, LLP
Richard Sims	Vice President, Scarlett
Michael C. Slade	Sr. Vice President, NBTY, Inc.
Phyllis Hill Slater	President, Hill Slater Group
Amy Spielman	Civic Leader
Howard D. Stave	Attorney
Edwin R. Stein	Retired Attorney
Russell Stern	President, Norca Corporation
Hon. Joseph A. Suozzi	Partner, Meyer, Suozzi, English, & Klein, PC
Maganlal Sutaria, M.D.	Chairman, Interpharn Holdings, Inc.
John B. Thomson, Jr.	Thomson Holdings LLC
Peter Tilles	Former General Manager, The Tilles Investment Co.
Sandra Tytel	Philanthropist – Civic Leader
Nancy Waldbaum	Philanthropist
Robert S. Waldbaum, M.D.	Urology Associates, PC
Peter F.R. Walker, M.D.	Medical Director, North Shore University Hospital
Robert M. Wallach	Chairman & CEO, The Robert Plan Corporation
Gary Walter	Theo. Walter Co., Inc.
Howard Weingrow	President & Co-Founder, Medis Technologies, LTD.
Lewis M. Weston	WG Trading Co., L.P.
Geoffrey P. Wharton	Managing Director of Development, NRDC Real Estate Advisors
Irving L. Wharton	Retired, Formerly Owner, I. Wharton & Co., Mortgage Broker
Donald Zucker	Chairman of the Board, Donald Zucker Company
Roy J. Zuckerberg	Retired, Formerly Senior Director of Goldman Sachs Group, Inc.

Executive Committees of the Boards of Trustees

Each of NSLIJ, NSLIJ HCI and each Member of the Obligated Group has an Executive Committee which exercises all of the authority of the respective Board of Trustees (except as limited by applicable law) between meetings of such Board. The Executive Committee meets monthly and the Board of Trustees meets four times a year, in addition to the annual meeting. The individuals who comprise the Executive Committee of the Board of NSLIJ also comprise the Executive Committee of the Board of NSLIJ HCI and of each Member of the Obligated Group. The Chief Executive Officer of NSLIJ, NSLIJ HCI and of each Member of the Obligated Group is an ex-officio voting member of the Executive Committee of the Board of each such corporation. The Executive Committee of the Board of each such corporation consists of the following persons:

Richard S. Abramson	Alan I. Greene	Ralph A. Nappi
Roger A. Blumencranz	Amy M. Hagedorn	Clyde I. Payne, Ed.D.
Mark Claster	Gedale B. Horowitz	Robert D. Rosenthal
Daniel C. de Roulet	Saul B. Katz, Chairman	Barry Rubenstein
Michael J. Dowling	Robert Kaufman	John M. Shall
Anthony Giaccone	Jeffrey B. Lane	Donald Zucker
Lloyd M. Goldman	William L. Mack	Roy J. Zuckerberg
Richard D. Goldstein	Patrick F. McDermott	

The corporate officers of NSLIJ, NSLIJ HCI and the Members of the Obligated Group are:

Saul B. Katz	Chairman of the Board of Trustees
Michael J. Dowling	President and Chief Executive Officer
Richard D. Goldstein	Vice Chairman
William L. Mack	Vice Chairman
Barry Rubenstein	Vice Chairman
Alan I. Greene	Treasurer
Lyn Jurick	Secretary
Kathleen Gallo, Ph.D.	Senior Vice President and Chief Learning Officer
Howard B. Gold	Senior Vice President, Managed Care and Business Development
Jeffrey A. Kraut	Senior Vice President, Strategic Planning and Marketing
Robert S. Shapiro	Senior Vice President and Chief Financial Officer
Lawrence G. Smith, M.D.	Senior Vice President and Chief Medical Officer
Mark J. Solazzo	Senior Vice President and Chief Operating Officer
Keith C. Thompson	Senior Vice President, General Counsel and Assistant Secretary
Charles M. Trunz III	Senior Vice President and Chief Administrative Officer
Harry E. Gindi	Assistant Secretary
Reginald Bullock	Assistant Secretary

Board Chair

Saul B. Katz, *Chairman of the Board of Trustees of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group.* Mr. Katz is the Co-Founder, President and Chief Operating Officer of Sterling Equities, Inc. in Great Neck, New York. He was elected President of the New York METS in August of 2002 after being a shareholder since 1980 and after serving on the Board of Directors since 1986. Mr. Katz is also the President and a partner of the Brooklyn Baseball Company, which owns the Brooklyn Cyclones. Mr. Katz serves on the boards of the Brooklyn College Foundation and the Jewish Association for the Services of the Aged and is the Chairman of the Real Estate Committee of the UJA. As the first Chairman of NSLIJ following the 1997 merger of the North Shore Health System and Long Island Jewish Medical Center, he chaired the board for four years until 2000. He is a Certified Public Accountant and graduated from Brooklyn College.

Executive Staff

Michael J. Dowling, *President, Chief Executive Officer and Board Member of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group.* Effective January 1, 2002, Mr. Dowling became President and Chief Executive Officer of NSLIJ, NSLIJ HCI and of each Member of the Obligated Group. Prior to his appointment as President and Chief Executive Officer, Mr. Dowling served as NSLIJ's Executive Vice President and Chief Operating Officer from October 1997 to January 2002, overseeing development, planning and operations following the merger of NSHS and LIMC. Prior to his appointment as Executive Vice President and Chief Operating Officer, Mr. Dowling served as Senior Vice President of Hospital Services at NSHS from July 1995 to October 1997. Prior to joining NSHS, Mr. Dowling served as Senior Vice President of Empire Blue Cross/Blue Shield from January 1995 to July 1995. Mr. Dowling served in New York State government for 12 years, including seven years as chief advisor to former New York State Governor Mario Cuomo. From July 1993 to December 1994, Mr. Dowling was Commissioner of Social Services for the State of New York. Prior to his appointment as social services commissioner, he was Director of Health, Education and Human Services for the State of New York. In that capacity, he had direct operating responsibility for state agencies that accounted for 70 percent of the state budget, including the Departments of Health, Social Services, Mental Health, Substance Abuse, Education, Aging, Mental Retardation, Youth, Insurance and Veterans Affairs. Prior to commencing his service with the State in 1983, Mr. Dowling was a professor of Social Policy and Assistant Dean of the Fordham University Graduate School of Social Services. He was also the Director of the Westchester campus of Fordham University in Tarrytown, New York. In the fall of 2006, Mr. Dowling served on the healthcare advisory team of Governor-Elect Spitzer's transition team.

Mr. Dowling is Immediate Past Chairman of the Greater New York Hospital Association and was elected in 2007 as chair-elect of the Healthcare Association of New York State (HANYS). He is also a member of the Board of Directors of the National Center for Healthcare Leadership, the Harvard University Trust Symposium Steering Committee, the Long Island Association Board of Directors, the Adelphi University President's Advisory Council, the Biomedical Research Alliance of New York Board, and the North America Board of the Smurfit School of Business at University College Dublin, Ireland. He is Chairman of the League of Voluntary Hospitals and Homes of New York. He is also an instructor at the Center for Continuing Professional Education at the Harvard School of Public Health.

Mr. Dowling received undergraduate degrees from University College in Cork, Ireland and a Master's Degree from Fordham University.

Mr. Dowling has also taken a leadership role in workforce development, spearheading the creation of the NSLIJ System's Center for Learning and Innovation (the "Center for Learning"). The Center for Learning, created in January 2002, is a "corporate university" that has evolved into a national model for organizational learning in a healthcare environment. Working with GE Healthcare Solutions and the Harvard School of Public Health, the Center for Learning fosters growth and lifelong learning among employees and advances NSLIJ System's strategic and business goals.

Lawrence G. Smith, MD, *Senior Vice President and Chief Medical Officer of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. Dr. Smith joined NSLIJ in May 2005 as Chief Academic Officer and Senior Vice President of Academic Affairs to oversee NSLIJ's graduate medical education and medical student education programs, as well as academic faculty appointments. He was appointed Senior Vice President and Chief Medical Officer in September 2006. As Chief Medical Officer, Dr. Smith is NSLIJ's senior physician with administrative oversight for all clinical programs, faculty practice, department chairs, quality management and The Feinstein Institute for Medical Research for NSLIJ. Prior to assuming his position at NSLIJ, Dr. Smith served at Mount Sinai School of Medicine in Manhattan as dean and chairman of medical education, director of Mount Sinai's Institute for Medical Education, professor of medicine and an attending physician. Prior to joining Mount Sinai in 1994, Dr. Smith served as SUNY Stony Brook's director of education and clinical affairs for the department of medicine, a senior attending physician at Stony Brook University Hospital and program director of the hospital's Internal Medicine Residency Program. He earned his medical degree from NYU School of Medicine, along with a Bachelor of Science degree in physics from Fordham University. He participated in the Harvard Macy Institute's Program for Leaders in Medical Education and the Stanford Faculty Development Program for medical Educators in the area of medical decision making. He is on the Board of Directors of the American Board of Internal Medicine, a Regent of the American College of Physicians, a former president of the Association of Program Directors in Internal Medicine, and is affiliated with numerous professional and scientific societies.

Mark J. Solazzo, *Senior Vice President and Chief Operating Officer of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group.* Mr. Solazzo has overall responsibility for operational objectives and scope of services necessary for the delivery of high quality medical care. He is responsible for the operational management of the (3) tertiary, (7) community, and (2) specialty hospitals of the North Shore-Long Island Jewish Health System. In addition, Mr. Solazzo is responsible for managing NSLIJ System's two nursing homes and the health care related businesses including a Core Laboratory, Home Care Division, Centralized Emergency Transport, RegionCare Infusion Therapy, and Hospice Care Network. Prior to holding his present position, Mr. Solazzo was Senior Vice President and Chief of Staff from 1999. Before joining the health system, he held a number of senior level positions working on health and social services issues in the New York State Department of Social Services, where he worked for 15 years. He was responsible for the state's Child Assistance Program, which earned Harvard University's Innovations in Government award. He is a member of the American College of Health Care Executives. He earned an undergraduate degree from Fordham University, and a master's degree in business administration, with a specialization in health systems management, from Union College in Schenectady, NY.

Robert S. Shapiro, *Senior Vice President and Chief Financial Officer of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. In his current capacity, which he has held since August 2000, Mr. Shapiro has overall responsibility for the treasury, financial and strategic planning, and financial reporting functions. He also serves as the administrative contact for several committees of the Board of Trustees. Prior to holding his present position, Mr. Shapiro has held the positions of Vice President Financial Operations and Director of Finance/Assistant Administrator since joining North Shore Health System in 1984. Mr. Shapiro received his Bachelor of Science degree from the State University of New York at Binghamton in 1975. Mr. Shapiro began his career as a Senior Accountant with Blue Cross and Blue Shield of Greater New York from 1976 to 1978. In 1978, he was a supervisor with Touche Ross & Company, before being appointed Assistant Director of Finance at Maimonides Medical Center in 1981. Mr. Shapiro is a Certified Public Accountant and a Fellow of the Healthcare Financial Management Association.

Keith C. Thompson, *Senior Vice President, General Counsel and Assistant Secretary of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. Mr. Thompson joined NSLIJ in 1999. Mr. Thompson, a member of the New York and Washington, D.C. Bars, received his undergraduate degree from the University of Illinois, and law and business degrees from the University of Pennsylvania and Harvard University, respectively. After being associated with the law firm of White & Case in New York and in Washington, D.C., he was a Senior Vice President of Nabisco Brands, Inc. before joining The New York Hospital in 1988 as Senior Vice President and General Counsel. After the merger of New York Hospital and The Presbyterian Hospital in 1997, he became a Senior Vice President of the merged New York Presbyterian Hospital and, prior to joining NSLIJ, he also served as General Counsel of the New York Presbyterian Healthcare Network.

Charles M. Trunz III, *Senior Vice President and Chief Administrative Officer of NSLIJ HCI, NSLIJ and certain Members of the Obligated Group*. Mr. Trunz is responsible for the management of Information Technology, Materials and Procurement, Real Estate, Construction and Facilities Management. He joined NSLIJ System in 2001 as Vice President-Treasury Operations. Prior to these roles at NSLIJ System, Mr. Trunz was a Senior Managing Director for J.P. Morgan for over 21 years. During that tenure he served in various leadership capacities, including President of J.P. Morgan Securities, Chief Financial Officer of J.P. Morgan's Investment Bank and Chief Operating Officer of J.P. Morgan's Global Sales and Trading businesses. Mr. Trunz received an undergraduate degree in business, with a major in accounting, from Georgetown University. He is a Certified Public Accountant who worked for Ernst & Young upon graduation. Mr. Trunz serves on the Board of Governors of Georgetown University as well as the Board of Advisors for its Business School.

Kathleen Gallo, R.N., Ph. D., M.B.A. *Senior Vice President and Chief Learning Officer of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. Dr. Gallo is responsible for Corporate Human Resources; Service Excellence; and the Center for Learning and Innovation, NSLIJ System's corporate university. Her responsibilities include leadership development throughout the organization; the creation and implementation of a comprehensive learning strategy, built on a system-wide culture of continuous learning, in support of the health system's business objectives; the development of a new human resources architecture that advances the role of human resources into a strategic business partner for the health system; and the development and implementation of a system-wide Service Excellence strategy that leads to a culture of exceptional service. She has held several positions in the NSLIJ System, including System Director for Emergency Medicine and Vice President for Emergency Medical Services. Dr. Gallo has over 25 years experience in Emergency Nursing, having held a variety of clinical and administrative positions in tertiary care hospitals on Long Island. She also holds faculty positions at several universities on Long Island. Dr. Gallo has held several regional and national seats for Emergency Medical Services and Emergency Nursing and has written several articles on Trauma and Nursing Research. Dr. Gallo is an examiner for the Malcolm Baldrige Quality Award Program; Chair of the Dean's Advisory Committee, School of Nursing, State University of New York at Stony Brook; a member of the Advisory Council of Research and Continuous Improvement, the National Center for Healthcare Leadership; Chief Learning Officer Magazine Editorial Advisory; and holds several regional and national seats for emergency medical services and emergency nursing. She has authored articles on trauma and nursing research. Dr. Gallo received a BSN degree from the State University of New York, Regents College, Albany, New York, an MS (Nursing) degree from SUNY at Stony Brook, New York and a Ph.D. (Nursing) and a Masters in Business Administration from Adelphi University, New York.

Howard B. Gold, *Senior Vice President Managed Care and Business Development of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. Mr. Gold earned a bachelor's degree from SUNY at Buffalo in 1973 and an MA from the Graduate Faculty, New School for Social Research. He joined NSLIJ as Senior Vice President in 1995. Prior to that, he was Vice President - Vice Provost for Strategic Planning at the New York Hospital - Cornell Medical Center. From 1991 to 1993, Mr. Gold was the Executive Director of the State of New York's Health Care Advisory Board. Beginning in 1978, Mr. Gold held increasingly responsible positions in the New York State Office of Mental Retardation and Development Disabilities leaving in 1991, after serving as the Deputy Commissioner, Office of Policy and Planning.

June Keenan, *Senior Vice President for Community Health and Public Policy of NSLIJ HCI, NSLIJ and of each member of the Obligated Group.* Ms. Keenan joined NSLIJ in July 2003. In her current role, she manages community health initiatives and has primary responsibility for managing and supervising NSLIJ's public policy and advocacy activities. She also leads the recently created Office of Sponsored Programs which is charged with centralizing NSLIJ's non-research grants and contract activities. Prior to joining NSLIJ, Ms. Keenan was managing director of the Hospitals and Health Systems practices at American Express Tax and Business Services. Ms. Keenan was a management consultant to the healthcare industry in the New York Metropolitan region since 1984 when she founded her first consulting firm HealthScope Management Corporation (HealthScope) which was a leader in the areas of Medicaid Managed Care development and operations, as well as, reorganization of ambulatory care services in hospitals and community centers.

Jeffrey A. Kraut, *Senior Vice President for Strategic Planning and Marketing of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group.* Mr. Kraut is responsible for coordinating the planning activities of the strategic business units of the NSLIJ System, as well as the development of its network of providers through mergers, acquisition, or affiliated relationships. He also is responsible for marketing and government relations. Prior to the merger of NSHS and LIJMC, Mr. Kraut served as the LIJMC Vice President for Strategic Planning. Mr. Kraut joined LIJ in 1994. Mr. Kraut was formerly the Vice President for Planning and Policy at the State University of New York Health Sciences Center at Brooklyn (Downstate Medical Center) and served as a manager of the Health Care Strategy Development Group at KPMG Peat Marwick and as Vice President at RMR Health Management Consultants, Inc. Governor Pataki appointed Mr. Kraut in 2004 to the NYS Hospital Review and Planning Council where he is a member of its Executive Committee and serves as the Vice Chair of the Appropriateness Review and Medical Equipment Committee. He also serves as a member of the Regional Advisory Committee of the NYS Commission on Health Care Facilities in the 21st Century. Mr. Kraut is active in regional planning efforts and participated in the development of the *Long Island Index*, an indicator report which stimulates regional solutions for the future of Long Island and *Vital Signs,* a report of the health and social status of Long Island published by Adelphi University. Mr. Kraut was the past president of the New

York Society for Health Planning and served on the boards of area long-term care facilities. Mr. Kraut received a Master of Business Administration from the Baruch College - Mount Sinai School of Medicine of the City University of New York where he served as an Adjunct Lecturer. He received his Bachelor of Arts degree from the State University of New York at Stony Brook.

Ralph A. Nappi, *President of NSLIJ Foundation.* Mr. Nappi has been associated with NSUH for more than three decades. He is a former Chairman of the Board of Trustees of NSUH and Vice Chairman of the Board of Trustees of the NSHS. In addition to being a member of the Executive Committee of the Board of Trustees of the NSLIJ System, Mr. Nappi is Chairman of the Board of Directors of The Feinstein Institute for Medical Research and serves on the board of Staten Island University Hospital. Mr. Nappi's other affiliations include Chairman of The Institute for Student Achievement, and he serves on the Board of Governors of Healthcare Trustees of New York State and the Board of Directors of Variety Children's Lifeline. He is Vice Chair of the Volunteer Trustees of Not-for-Profit Hospitals. Mr. Nappi is a former member of the Board of Overseers of Cornell University Medical College and the Board of Directors of the Nassau-Suffolk Health Systems Agency. In addition, Mr. Nappi was a past Chairman of the Nassau County HIV Commission and Vice Chairman of the Ryan White Planning Council. Mr. Nappi is a graduate of Hofstra University and Brooklyn Law School. From 1959 through 1990, he was actively involved in the practice of law.

Maureen T. White, *Senior Vice President-Chief Nurse Executive of NSLIJ HCI, NSLIJ and of each Member of the Obligated Group*. Ms. White has held her current position since April 1999. Prior to her current position, Ms. White was Vice President for Patient Care Services of NSUH from 1998-April 1999 and LIJMC from 1996 to April 1999. Prior to 1996, Ms. White held the following positions at LIJMC: Associate Director - LIJ Hospital; Administrator for Patient Care Services - Finance and Systems; Assistant Administrator for Nursing - Finance and Systems; Nursing Care Coordinator - Intensive Care & Open Heart Surgery Units; Assistant Nursing Care Coordinator - Intensive Care & Open Heart Surgery Units; and Registered Nurse - Intensive Care and Open Heart Surgery Units. Prior to joining LIJMC, Ms. White was In-service Coordinator - Intensive Care & Coronary Care Units at Good Samaritan Hospital in West Islip, New York from 1976-1977. Ms. White received a Bachelor of Arts degree and a Bachelor of Science degree in Nursing from Molloy College and an MBA from Fordham University.

Community Programs

The Members of the Obligated Group are committed to providing educational activities related to the rendering of care to the sick and injured, as well as to the promotion of the health of the community, through its organized Patient Education Program. Such programs include a structured work experience for special education and developmental disability students and a speakers' bureau for educational offerings to the community on a variety of topics.

The Members of the Obligated Group provide information on disease prevention, wellness and health enhancement for the general public and techniques, skills and updating for the health professional.

Lectures, workshops, conferences, training programs, health fairs, health screenings, speakers' bureau, immunizations (flu shots for seniors) and worksite wellness, as well as the distribution of five newsletters (*Parenting, Upbeat, HER, Senior Health News and Wellness Works*), are some of the methods used by the hospitals of the NSLIJ System to impart health information and affect behavioral change.

Professional and General Liability Insurance Program

NSLIJ purchases primary and excess medical malpractice insurance for NSLIJ commonly managed and sponsored entities and reviews coverage annually. In 2003, NSLIJ converted from claims-made coverage to occurrence based coverage and purchased a "tail" policy covering "incurred but not reported" claims arising during the claims-made period. In 2007, NSLIJ purchased primary coverage from a commercial insurance company, occurrence based, in the amounts of $1 million per occurrence with an aggregate of $50 million. In addition, NSLIJ purchases $45 million of excess medical malpractice insurance written on a claims-made basis from commercial carriers for such entities. NSLIJ also has established self-insured trust funds providing coverage for those hospitals for the years they did not purchase primary or excess medical malpractice insurance. The self-insurance fund liabilities have been actuarially determined and include provisions for losses, accumulated investment income, net of claims and expenses paid. NSLIJ has also established a risk management program utilized by all Members of the Obligated Group in order to minimize malpractice and other liability losses.

NSLIJ maintains general liability insurance written on an occurrence basis with limits of $1 million per occurrence and $8 million in the aggregate for NSLIJ commonly managed and sponsored entities. In addition, NSLIJ purchases an additional $105 million of excess general liability insurance written on an occurrence basis for such entities. This insurance is purchased from commercial carriers. Historically, all professional and general liability settlements have been within the above-described coverages.

Litigation

Various claimants have asserted professional malpractice liability claims against the Members of the Obligated Group. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to the respective insurance companies handling such matters. It is the opinion of the management of each Member of the Obligated Group, based on prior experience, that adequate insurance and/or self-insurance reserves are maintained to provide for all significant professional malpractice liability losses which may arise.

The Members of the Obligated Group are also defendants in various commercial and other actions. Although the outcome of any such claim or action cannot be currently determined, the Obligated Group's management is of the opinion that the eventual liability there from, if any, will not have a material adverse effect on the financial position of the Obligated Group or on its ability to make required debt service payments.

Investment Policy

The Investment Committee of the Board of Trustees of the Members of the Obligated Group monitors the investment performance of, and provides the investment guidelines for, the operating, retirement, self-insured malpractice and endowment funds of the Obligated Group. The Investment Committee regularly reviews the asset allocation of these funds in relation to the cash flow requirement of the funds and reviews the performance of each professional investment manager compared against an appropriate benchmark index. In addition, the Investment Committee reviews the retirement funds annually for compliance with ERISA guidelines concerning investment options and rates of return. Independent firms manage the investment of all funds under the guidelines established by the Investment Committee. The funds are invested in diverse asset classes including large cap and small cap equities, REITS, international equities, fixed income, short-term fixed income, and fund of fund hedge funds subject to the Obligated Group's investment policy.

The portfolio of the Obligated Group is structured to generate adequate yield while minimizing risk and volatility. However, the portfolio is subject to changes in market value that, under generally accepted accounting principles for not-for-profit organizations, lead to the recognition of unrealized gains and losses. In addition, both gains and losses are realized from time to time based on the sale of securities and market conditions.

Employee Benefit Plans

Each Member of the Obligated Group is a participating employer in a noncontributory, defined benefit pension plan, the North Shore-Long Island Jewish Health System Cash Balance Plan (the "Cash Balance Plan") sponsored by NSUH, which covers a significant portion of the employees at each such institution. Each Member of the Obligated Group is also a participating employer in a tax deferred annuity plan (the "403(b) Plan").

Contributions to the Cash Balance Plan and the 403(b) Plan are funded by the Members of the Obligated Group as required by the Employee Retirement Income Security Act of 1974 ("ERISA") and as recommended on the basis of annual actuarial projections. Effective January 1, 2001, the Finance Committee for NSLIJ adopted a funding policy designed to minimize the volatility of future pension plan contributions. As a result of this policy, the contributions have been between $15 and $20 million per year.

On March 31, 2006, the Retirement Plan for Employees of Southside Hospital ("Southside Retirement Plan") was merged into the Cash Balance Plan. This action was taken to provide NSLIJ with the opportunity to better manage the funding requirements of the Southside Retirement Plan. On December 31, 2006, the Cash Balance Plan was amended to freeze benefits being earned by Southside employees under their old plan formula and to allow future accruals under the NSLIJ cash balance formula.

On August 17, 2006, President Bush signed into law the Pension Protection Act of 2006. Among the provisions of this law is the complete overhaul of the way pension plans are required to be funded. The bulk of the provisions impacting pension plan funding first become effective January 1, 2008. Under the requirements of this new law, pension plans will be required to attain a 100% funded level in a shorter period of time than was permitted under the prior law.

As a result of the new funding rules, and the merger of the Southside Retirement Plan into the Cash Balance Plan, future funding contributions are expected to be about $25 million per year. Under the previously adopted funding policy, these contributions will be made to an internally designated fund and paid into the pension trust only when needed to satisfy IRS funding requirements.

Future Plans

In addition to the projects described herein and financed with a portion of the proceeds of the Series 2007 Bonds, the Obligated Group Members have additional plans for the enhancement of their services, which plans are in various stages of design and implementation. These major projects include the renovation and expansion of various facilities and services, as well as the acquisition of additional equipment and software applications at each of the Obligated Group facilities. The Obligated Group Members may from time to time incur additional indebtedness to meet future capital needs. See "Appendix E-Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures" for information regarding additional indebtedness.

The Obligated Group currently anticipates continuing its commitment to high quality facilities with routine capital spending that approximates recent historical annual levels, plus several major projects aggregating approximately $460 million from 2008-2010. The foregoing projects will be in addition to those projects being funded with proceeds of the Series 2007 Bonds.

It is expected that the major projects will be funded with a combination of donations, operating cash and debt. The Obligated Group anticipates that a significant portion of the major projects will be funded with monies raised from the 5-year $500 million capital campaign, which is currently in its first year. The scope and/or anticipated schedule of these planned Obligated Group projects will depend, in part, upon the extent to which donations are received as well as the requisite regulatory approvals.

The full range of capital expenditures previously described will be made only if funds available from donations and cash generated from operations are sufficient to support such expenditures or the financing thereof. Management of the Members of the Obligated Group believes that current financial performance is sufficient to support the capital expenditures outlined herein.

Annual capital expenditures, excluding the major projects and programs, consist mainly of routine capital expenditures and a major information technology upgrade, comprised of hardware and software implementation for the benefit of the Members of the Obligated Group. (See "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein for a discussion of annual capital expenditures and the funding sources of such annual capital expenditures.) No new borrowings (other than operating leases for high-tech equipment that may become obsolete) related to the information technology upgrade and routine capital expenditures, have commenced at the current time, but management may explore certain tax-exempt and taxable financing opportunities in the future to the extent cash generated from operations is sufficient to support debt service thereon and such financings are permissible under the additional debt restrictions set forth in the Master Indenture.

Medical Staff

The following is a summary of the medical staff of each Member of the Obligated Group, including the number of active physicians, the percentage that are board certified, and the average age of the ten most active inpatient-admitting physicians, as of December 31, 2006, unless otherwise indicated.

	Active Physicians[(1)]	**% Board Certified**	**Average Age of Ten Most Active Inpatient-Admitting Physicians**
LIJMC	2,394	90.5%	41
NSUH–M	2,804	91.0%	42
NSUH–S	203	95.5%	50
GCH	141	85.6%	46
PVH	399	86.0%	43
FHH	644	80.6%	44

(1) A total of 905 physicians are part of the faculty practice plan of the Obligated Group.

Source: Medical Staff offices of Members of the Obligated Group

Geographic Origin of Inpatients and Ambulatory Surgery Patients of the Obligated Group

The following chart sets forth the geographic origin of inpatients of the Obligated Group Members, other than CECR, for the periods ended December 31, 2005 and June 30, 2006.

	12/31/05	**6/30/06**
Nassau County	42.1%	41.4%
Suffolk County	11.1%	11.2%
Queens County	41.8%	42.6%
Other	5.0%	4.8%
Total	100.0%	100.0%

Source: Statewide Planning and Research Cooperative System (SPARCS)

The following chart sets forth the geographic origin of ambulatory surgery patients of the Members of the Obligated Group, other than the CECR, for the periods ended December 31, 2005 and June 30, 2006.

	12/31/05	**6/30/06**
Nassau County	48.6%	47.4%
Suffolk County	17.1%	14.9%
Queens County	29.9%	32.5%
Other	4.4%	5.2%
Total	100.0%	100.0%

Source: Statewide Planning and Research Cooperative System (SPARCS)

Utilization Statistics for North Shore - Long Island Jewish Obligated Group

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery)	130,005	134,049	135,809
Patient Days (excl. Nursery)	869,529	885,108	886,134
Average Length of Stay (in Days) (1)	6.69	6.60	6.52
Average Daily Census	2,376	2,425	2,428
Beds Available (2)	2,541	2,556	2,551
Percent of Occupancy (2)	94.6%	95.0%	95.0%
Normal Newborn Discharges	12,976	13,065	12,955
Total Discharges	142,981	147,114	148,764
Outpatient			
Emergency Room Visits	145,093	147,223	150,614
Emergency Room Admissions	71,932	74,234	77,689
Total ER Encounters	217,025	221,457	228,303
Clinic Visits	302,272	303,838	308,183
Ambulatory Surgery Visits (3)	70,184	67,996	70,305
Other Outpatient Visits (4)	373,161	356,331	358,193
Psychiatry Day Hospital (5)	54,494	53,166	43,315

(1) Decreased average length of stay reflects management initiatives.

(2) 57 beds opened at NSUH-M in June 2004, 14 additional Pediatric beds opened in July 2004 at LIJMC, 15 telemetry beds added at NSUH-S in April 2005, and 5 Med/Surg beds at FHH taken out of service in November 2006. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated as using the average beds available for the report period.

(3) Ambulatory Surgery visits decreased in 2005 primarily due to changes in reimbursement that encourage the shift of endoscopies and other procedures to physician offices, and a managerial emphasis on the use of operating rooms for more profitable inpatient cases at LIJMC. In the summer of 2005, LIJMC moved its existing adult and pediatric ambulatory surgery volume previously performed in hospital operating rooms to a new freestanding outpatient Center for Advanced Medicine at IPark which was opened across the street from the main campus.

(4) 2004 and 2005 restated to include Radiation Therapy and Interventional Radiology visits not previously reported for NSUH-M and LIJMC and to conform with current year reporting methodology. Decreased Private Ambulatory volume in 2005 primarily due to outsourcing of laboratory services at GCH to the NS-LIJ core lab. In the spring of 2006, NSUH-M moved outpatient chemotherapy services previously provided in the hospital to the Monter Cancer Center at the Center for Advanced Medicine at IPark. In July 2006, a 15,700-square-foot diagnostic imaging center specializing in outpatient services was opened.

(5) Decreased Psychiatry Day Hospital primarily due to reduction of the Child/Adolescent summer program in 2005 and closure of the LIJMC Queens Day Center in 2006 for cost savings.

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of the Obligated Group for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein.

North Shore-Long Island Jewish Obligated Group
Combined Statements of Operations

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$2,099,113	$2,249,576	$2,319,404	$566,794	$597,179
Physician practice revenue	264,394	268,987	286,777	68,823	74,822
Other operating revenue	75,483	90,755	100,612	21,760	21,020
Net assets released from restrictions used for operations	70,309	61,276	54,826	16,101	11,808
Total operating revenue	2,509,299	2,670,594	2,761,619	673,478	704,829
Operating expenses:					
Salaries	1,142,241	1,210,292	1,250,935	302,866	321,120
Employee benefits	313,497	335,268	346,756	87,875	91,293
Supplies and expenses	734,778	832,122	855,087	204,460	214,732
Bad debt expense	101,063	103,904	101,009	25,120	27,662
Depreciation and amortization	106,103	104,042	99,458	27,216	26,231
Interest	30,724	34,192	37,661	9,511	9,087
Total operating expenses	2,428,406	2,619,820	2,690,906	657,048	690,125
Excess of operating revenue over operating expenses	80,893	50,774	70,713	16,430	14,704
Nonoperating gains:					
Contributions, net of fundraising expenses	-	5,122	66	59	11
Excess of revenue and gains over expenses	$80,893	$55,896	$70,779	$16,489	$14,715

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of an increase in bad debt expense ($23.3 million) that previously was included in physician practice revenue, a decrease in employee benefits ($5.6 million) for fringe benefit recoveries from affiliated organizations previously included in other operating revenue and a decrease in supplies and expenses ($4.8 million) for purchase discounts and rebates previously included in other operating revenue.

In the audited combined statement of operations for 2005, reclassifications to conform with the December 31, 2006 presentation consist of decreases in salaries ($27.4 million) and employee benefits ($10.7 million) and an increase in supplies and expenses ($38.0 million) to conform to current year centralized administrative expense allocation methodologies.

These reclassifications did not result in any change to the previously reported Excess of Operating Revenue over Operating Expenses or Excess of Revenue and Gains over Expenses.

Statements of Financial Position

The following "Statements of Financial Position" of the Obligated Group as of December 31, 2004, 2005 and 2006 have been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data as of March 31, 2007 is derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the financial position. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein.

North Shore-Long Island Jewish Obligated Group
Combined Statements of Financial Position
(In Thousands)

	December 31, 2004	December 31, 2005	December 31, 2006	March 31, 2007
Assets				
Current assets:				
Cash and cash equivalents	$136,940	$97,650	$106,317	$65,055
Marketable securities and other investments	265,052	385,536	418,975	485,978
Accounts receivable for services to patients - hospital nursing facilities, net of allowance for doubtful	262,490	284,709	231,609	246,599
Accounts receivable for physician practice services,	36,059	37,657	35,446	34,889
Assets limited as to use, current portion	26,427	32,743	35,352	39,774
Other current assets	49,322	52,022	60,099	68,190
Total current assets	776,290	890,317	887,798	940,485
Due from affiliates, net	41,205	-	31,388	35,168
Assets limited as to use, net of current portion	214,537	253,423	243,997	269,683
Property, plant and equipment, net	775,505	813,093	845,189	858,411
Other assets	55,178	70,632	75,208	63,516
Total assets	$1,862,715	$2,027,465	$2,083,580	$2,167,263
Liabilities and net assets				
Current liabilities:				
Short-term borrowings	$58,400	$34,755	$39,100	$65,500
Accounts payable and accrued expenses	145,425	151,030	147,430	151,508
Accrued salaries and related benefits	134,587	135,451	147,934	149,161
Current portion of capital lease obligations	-	498	894	894
Current portion of long-term debt	31,636	35,596	46,847	45,475
Current portion of estimated payable to third party	98,474	100,847	77,220	117,986
Total current liabilities	468,522	458,177	459,425	530,524
Due to affiliates, net	-	654	-	-
Accrued retirement benefits	100,896	124,846	113,442	115,571
Capital lease obligations, net of current portion	-	21,308	20,878	20,600
Long-term debt, net of current portion	511,935	599,957	568,025	567,241
Malpractice insurance liabilities	10,124	8,773	7,259	7,273
Other long-term liabilities	59,563	64,882	95,328	92,321
Total liabilities	1,151,040	1,278,597	1,264,357	1,333,530
Commitments and contingencies				
Net assets:				
Unrestricted	539,726	550,184	633,879	654,361
Temporarily restricted	147,975	174,218	159,951	153,976
Permanently restricted	23,974	24,466	25,393	25,396
Total net assets	711,675	748,868	819,223	833,733
Total liabilities and net assets	$1,862,715	$2,027,465	$2,083,580	$2,167,263

Certain December 31, 2004 amounts in the combined statements of financial position have been reclassified from amounts previously reported to conform with the December 31, 2005 presentation. Such reclassifications primarily consist of an increase in current portion of estimated payable to third party payors ($7.6 million) for amounts previously included in accounts receivable for services to patients ($1.8 million) and other long-term liabilities ($5.8 million).

North Shore - Long Island Jewish Obligated Group
Financial Ratios

	Year Ended December 31,		
	2005	**2006**	**Pro Forma for the Year Ended 12/31/06*** **
Days Cash on Hand**	73	77	NA
Long Term Debt/Cash Flow*	4.1	3.5	3.8
Debt to Capitalization (Capitalization = Debt + Unrestricted and Temporarily Restricted Net Assets)	48.9%	46.0%	47.6%

*Cash Flow represents Depreciation plus the Excess of Revenue and Gains over Expenses excluding the change in fair value of interest rate swaps, a $9.5 million one time gain related to LIJMC's investment in a Federation of Jewish Philanthropies of New York ("FOJP") insurance company in 2005, and a $20 million third-party liability adjustment in 2004 as discussed in "Management's Discussion and Analysis for the Year ended December 31, 2005."
**Days Cash on Hand for the Obligated Group will not be impacted by the cash defeasance of $59.2 million principal of 1998 LIJMC bonds because the cash will be provided by the Foundation, an affiliate which is not a Member of the Obligated Group.
*** Pro Forma results include the cash defeasance of $59.2 million principal of 1998 LIJMC bonds utilizing $61.0 million provided by the Foundation, the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities plus Series 2007A (new money) and Series 2007B (advanced refunding) Bonds and the repayment of $39.1 million project bridge loans with Series 2007A Bond proceeds. Debt service on the Series 2007B term bond maturing in 2018 is calculated at a fixed swap rate of 4.172%, and debt service on the Series 2007B term bond maturing in 2033 is calculated at a fixed swap rate of 4.373%.

Source: NSLIJ HCI Finance Department

North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis

This Management Discussion and Analysis contains "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), and Section 27A of the United States *Securities Act of 1933*, as amended (the "Securities Act"). The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Obligated Group and NSLIJ expressly disclaim any obligation or undertaking to issue any updates or revisions to those forward-looking statements if or when their expectations change, or events, conditions or circumstances on which such statements are based occur.

For further information regarding potential events affecting future cash balances, see "PART 8- RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP ".

Management's Discussion and Analysis for the Year ended December 31, 2006

Introduction

The Obligated Group finished the year ended December 31, 2006 with Excess of Revenue and Gains over Expenses ("net income") of $70.8 million compared to $55.9 million for the year ended December 31, 2005. Excluding the change in fair value of interest rate swap agreements and one-time favorable non-cash income adjustment in 2005, net income was $69.4 million (2.5% of total operating revenue) for the year ended December 31, 2006 compared to $47.1 million (1.8% of total operating revenue) in the prior year. (Refer to *Management's Discussion and Analysis for the Year ended*

December 31, 2005 and to *Other Operating Revenue and Net Assets Released from Restrictions Used for Operations* herein.*)*

Excluding unrestricted contributions, net of fundraising expenses and the change in fair value of interest rate swaps, Excess of Operating Revenue over Operating Expenses ("operating income") for the year ended December 31, 2006 improved by $17.8 million, which was a 34.5% increase over 2005. The primary reasons for the increased operating income relate to: 1) improved inpatient and outpatient surgical volume combined with expense reductions at North Shore University Hospital at Manhasset ("NSUH-M") and Long Island Jewish Medical Center ("LIJMC"); 2) LIJMC's transfer of ambulatory surgery to the Center for Advanced Medicine (see *Management's Discussion and Analysis for the Year ended December 31, 2005*) which has increased ambulatory surgery capacity; and 3) an increase in investment income. Additionally, system-wide cost containment initiatives implemented in December 2005 have brought expense trends back in line with revenue growth. These initiatives included reducing full-time equivalents ("FTEs") by 220 at the tertiary facilities and reducing agency fees, premium amounts paid for overtime and other general overhead expenses.

In addition, as discussed in *Management's Discussion and Analysis for the Year ended December 31, 2005*, the Obligated Group has implemented certain revenue cycle initiatives at the tertiary facilities which are reducing denials, write-offs and bad debts.

Statement of Operations

Please note that certain 2005 amounts in the audited combined financial statements have been reclassified from the amounts previously reported to conform to the 2006 presentation.

In the audited combined statement of operations for 2005, such reclassifications consist of decreases in salaries ($27.4 million) and employee benefits ($10.7 million) and an increase in supplies and expenses ($38.0 million) to conform to current year centralized administrative expense allocation methodologies. These reclassifications did not result in any change to the previously reported Excess of Operating Revenue over Operating Expenses-or Excess of Revenue and Gains over Expenses.

Patient Revenues

The Obligated Group's core business consists of net patient service revenue ("hospital revenue") and net physician practice revenue ("physician revenue"). Together these components referred to as Total Patient Revenue grew 3.5% over the prior year as a result of increased discharge volume, an increase in case mix at several of the hospitals and an increase in payment rates. The Obligated Group's core business as reflected in Total Patient Revenue as a percentage of total operating revenue was 94% for both years ended December 31, 2006 and 2005. The majority of the Obligated Group members continue to operate at or near capacity. Outpatient revenue, which is included in net patient service revenue, increased 8.1% from the prior year. This increase was primarily due to certain revenue cycle initiatives, increased payment rates and increased ambulatory surgery capacity provided by opening the Ambulatory Surgery Center at the Center for Advanced Medicine.

Other Operating Revenue and Net Assets Released from Restrictions Used for Operations

The major components of Other Operating Revenue of $100.6 million are hospital grants/contracts, investment income including the swaps' mark-to-market, cafeteria sales, and miscellaneous operating revenue. Net Assets Released from Restrictions used for Operations of $54.8 million consists of research grants and temporarily restricted revenue, which covers related expenses. Excluding the change in fair value of the interest rate swap agreements and a $9.5 million one time gain in 2005 (refer to *Management's Discussion and Analysis for the Year ended December 31, 2005)*, the combination of Other Operating Revenue and Net Assets Released from Restrictions used for Operations increased 7.5 % from the prior year.

Investment income included in Other Operating Revenue was $44.6 million (excluding unrealized gains and losses and the increase in fair value of the interest rate swaps of $1.4 million) for the year ended December 31, 2006. This investment income represents an increase of $20.5 million (excluding unrealized gains and losses, the decline in fair value of the interest rate swaps of $0.8 million and the $9.5 million one time gain related to the investment in a FOJP insurance company as described in *Management's Discussion and Analysis for the Year ended December 31, 2005*) for the same period in the prior year.

For reference, the swap agreements primarily pertain to the interest rate hedge entered into by the Obligated Group in 2004 with various counter-parties with a notional amount of $120 million. The purpose of the hedge was to lock in a desired level of interest expense on the Series 2005A Bonds. These swap agreements were subsequently terminated October 18, 2006 with the conversion of the Series 2005A Bonds to tax-exempt fixed rates. The swap termination value was funded by the Series 2005B Bonds.

Expenses

As noted in the *Introduction*, in December 2005, management implemented initiatives to bring expense trends back in line with revenue growth. The impact of these initiatives can be seen in the improved operating performance for the year ended December 31, 2006.

Total operating expenses for the year ended December 31, 2006 increased 2.7% compared to the prior year. This increase was primarily due to increases in supplies and expenses including implants, pharmaceuticals, other surgical supplies and technology investments.

For the year ended December 31, 2006, salaries, wages, nursing agency fees (included in supplies and expenses), and employee benefits were 58.1% of total operating revenue, which compares favorably to 58.3% of total operating revenue for the prior year. Salaries and wages of $1.2 billion plus nursing agency fees of $6.7 million were only 2.9% above the prior year ($1.2 billion and $11.4 million, respectively) primarily due to a reduction in FTEs offset by costs related to increased patient days, patient severity as measured by case mix at several Obligated Group hospitals, and normal cost of living adjustments.

Supplies and expenses expressed as a percentage of total operating revenue was 31.0% for the year ended December 31, 2006 compared to 31.2% for the prior year. Supplies and expenses increased 2.8%, reaching $855.1 million for the year ended December 31, 2006 compared to $832.1 million for the same period in the prior year. This increase is primarily attributed to the supply usage (pharmaceuticals, blood and medical/surgical supplies including implants) associated with the increased volume and increased case mix at several Obligated Group hospitals. The majority of these supply usage expenses are either reimbursed as "pass-throughs" or covered by payments related to increased case mix included in net patient service revenue. In addition, operating costs associated with increased information technology investments as well as utility costs have increased from the prior year. In an effort to control utility cost increases, the Obligated Group has a systematic natural gas, oil and electricity hedging program designed to lock in costs in advance.

Interest expense of $37.7 million was 1.4% of total operating revenue for the year ended December 31, 2006 compared to 1.3% for the same period in the prior year.

For the year ended December 31, 2006, bad debt expense of $101.0 million (3.9% of Total Patient Revenue) declined from $103.9 million (4.1% of Total Patient Revenue) for the prior year, primarily as a result of revenue cycle initiatives.

The Members of the Obligated Group provided charity care of $88.6 million (3.8% of hospital revenue) and $89.1 million (4.0% of hospital revenue) for the years ended December 31, 2006 and 2005, respectively.

Operating Margin

As a result of revenue cycle initiatives and expense reductions, the rate of revenue growth exceeded the rate of expense growth. For the year ended December 31, 2006, total operating revenue of $2.8 billion increased 3.4% while total operating expenses of $2.7 billion increased 2.7%. Consequently, the Obligated Group finished the year ended December 31, 2006 with Excess of Operating Revenue over Operating Expenses of $70.7 million compared to $50.8 million for the year ended December 31, 2005. Excluding the change in fair value of interest rate swap agreements, operating income was $69.3 million (2.5% of total operating revenue) for the year ended December 31, 2006 compared to $51.5 million (1.9% of total operating revenue) for the prior year. Refer to *Introduction* for the reasons for the improvement.

Net Margin

The Obligated Group finished the year ended December 31, 2006 with net income (operating income plus non-operating gains) of $70.8 million compared to $55.9 million for the prior year. Non-operating gains for the year ended December 31, 2006 consisted of $0.07 million unrestricted contributions, net of fundraising expenses compared to $5.1 million for the prior year. Net unrestricted contributions primarily reflect transfers from the Foundation to support the equity component of bond financed projects. With no new bonds issued to fund new capital projects in 2006, transfers from the Foundation to support equity have been de minimis.

Excluding the change in fair value of interest rate swap agreements and one-time favorable non-cash income adjustment in 2005, net income was $69.4 million (2.5% of total operating revenue) for the year ended December 31, 2006 compared to $ 47.1 million (1.8% of total operating revenue) in the prior year.

Changes in Net Assets

Unrestricted net assets increased by $83.7 million for the year ended December 31, 2006 as a result of the increased Excess of Revenue and Gains over Expenses, unrealized gains on investment securities, positive change in the additional minimum liability on pension and funding received for capital asset acquisitions which were partially offset by transfers to affiliates. Non-operating activity reflected in Changes in Net Assets primarily reflects funding received for capital asset acquisitions; lease and debt payments related to closed physician practice facilities; and funding of Franklin, Southside and the Research Institute.

Support of the Research Institute, Franklin, Southside and other affiliates as well as the funding of lease and debt payments related to closed physician practice facilities increased by $7.8 million from the prior year, excluding the $1.4 million equity transfer in 2005 to NSUH-M from an affiliated real estate holding company, which was related to the 2005 bond issue and reduced net transfers to affiliates for the prior year. (These amounts are included in "Transfers to Affiliates" in the combined financial statements). The primary reason for the increase relates to the additional support required by Southside for fiscal year 2006 compared to the prior year as a result of an increased operating loss, increased capital expenditures necessary to secure future revenue opportunities including cardiac service line business, and increased pension funding. Effective March 31, 2006, Southside's Retirement Plan was merged into the North Shore-Long Island Jewish Health System Cash Balance Plan. (See "Employee Benefit Plans" herein.) Contributions to the Southside Retirement Plan have been made in accordance with IRS regulations.

Commitments to Southside and Franklin, Commonly Managed Hospitals outside the Obligated Group

On September 22, 2005, Southside, a sponsored hospital of the NSLIJ System which is not a member of the Obligated Group, became a commonly managed entity of the NSLIJ System. However, Southside has not been added to the Obligated Group. As with Franklin, the commonly managed structure enables NSLIJ and Southside to have common Boards of Trustees and management. All the other commonly managed and sponsored entities remain as separate corporations with their own regulatory licenses and all other attributes of a separate corporate existence. As separate corporations, no other NSLIJ entities are obligated legally for the debt of Franklin or Southside except for the prior financial commitments by North Shore-Long Island Jewish Health Care, Inc. ("NSLIJ HCI") and the North Shore-Long Island Jewish Health System Foundation as noted in this section, "Philanthropy" and "OTHER NSLIJ COMMONLY MANAGED HOSPITALS" herein.

These limited prior financial commitments include the partial Southside Guaranty of the Southside Bonds (hereinafter defined in "OTHER NSLIJ COMMONLY MANAGED HOSPITALS") (approximately $6.8 million remains after NSLIJ HCI's funding of debt service payments from October 2004 through December 2006 pursuant to the Southside Guaranty); and payments intended to cover the majority of the debt service on local IDA Southside bonds (hereinafter defined in "OTHER NSLIJ COMMONLY MANAGED HOSPITALS" as "Foundation Arrangement for Southside") issued in 2002 (approximately $7.4 million in principal and interest remain to be paid over the next six years).

In addition, NSLIJ HCI guarantees up to a cumulative $10 million of regularly scheduled principal and interest payments on certain tax-exempt bonds issued for the benefit of Franklin by the Town of Hempstead Industrial Development Agency in 2002. To date, there have been no demands under this guarantee.

As a result of a decline in discharges and outpatient volume (primarily ambulatory surgery) somewhat offset by increased case mix, Southside experienced a loss of $12.4 million for the year ended December 31, 2006, which was $0.8 worse than the prior year. Management is focused on expense reduction initiatives and increasing volume with an active physician recruitment program.

Support of Southside's operations by the NSLIJ System in 2006 was $33 million structured as follows: $8.7 million for operations, $9.5 million for support of debt service, $6.1 million for additional minimum required funding of Southside's Retirement Plan (see "Employee Benefit Plans" herein) and $8.7 million for construction and equipment investment necessary to improve the facility and Southside's competitive position.

At Franklin, management continues to implement revenue initiatives including recruiting new doctors while working to contain costs. For the year ended December 31, 2006, Franklin reported a $9.4 million loss, which was a $3.4 million increased loss over the prior year due to an old malpractice claim settled in excess of what was reserved on the books; increased employee benefits associated with the conversion of their payroll benefits system to that of NSLIJ HCI; and wind-down expenses associated with the closing of unprofitable services. Management is focused on expense reduction and revenue cycle initiatives as well as increasing volume through expansion of existing programs, development of new programs and active pursuit of affiliations with new physician practices. In the second half of 2006, Franklin hired a new orthopedic surgical group with a large successful practice in the greater New York area.

Statement of Financial Position

Cash and Liquidity

Unrestricted cash and cash equivalents ($106.3 million) and marketable securities and other investments ($419.0 million) increased by $42.1 million from December 31, 2005 primarily as a result of improved receivable collections and management controlling capital spending in relation to operations, fund-raising and debt capacity. Days cash on hand at December 31, 2006 was 77, an improvement from 73 days at December 31, 2005. The cushion ratio, increased to 7.5:1 at December 31, 2006 compared to 6.9:1 at December 31, 2005, and the cash to debt ratio at December 31, 2006 improved to 78% compared to 70% at December 31, 2005. The improvement in cash flow and operating performance has led to cash and liquidity indicators improving from December 31, 2005 after advances to Southside of $33.0 million for the year ended December 31, 2006 for purposes described previously. For total support of Southside in fiscal 2006 refer to "*Commitments to Southside and Franklin, Commonly Managed Hospitals outside the Obligated Group*".

With the pro forma for the cash defeasance which is expected to be concurrent with the issuance of the Series 2007 Bonds and the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities plus Series 2007A (new money) and Series 2007B (advanced refunding) Bonds, the cushion ratio improves to 8.6:1, and the cash to debt ratio falls slightly to 73%. Refer to "*Financial Ratios*" and *"Capitalization"* tables herein and the following section "*Events Post December 31, 2006*".

Accounts Receivable

Days of hospital and physician net revenue in accounts receivable decreased to 37 days at December 31, 2006 from 47 days at December 31, 2005 as a result of revenue cycle initiatives.

Accounts Payable

Days in Accounts Payable decreased to 63 days at December 31, 2006 from 66 days at December 31, 2005.

Property, Plant and Equipment

Management continues to control capital spending in relation to operations, fund-raising and debt capacity. Capitalized asset additions were $131.2 million for the year ended December 31, 2006 compared to $119.7 million in the prior year. Of the $131.2 million expended, $77.5 million was paid through operations; $25.3 million was financed from the proceeds of prior bond issues; $24.1 million was paid from donations, grants and fund-raising and $4.3 million was financed with bridge loans anticipated to be repaid with proceeds from the Series 2007 Bonds. The Members of the Obligated Group continue to strategically invest their capital to meet the ongoing needs of their respective communities. Capital expenditures as a percentage of depreciation and amortization were 132% at December 31, 2006, compared to 115% at December 31, 2005.

Fundraising

In the year ended December 31, 2006, $53.4 million was raised in new pledges and/or cash as part of NSLIJ System's annual fundraising efforts. NSLIJ System announced in late September 2006 a new $500 million five-year campaign called Challenge 2010. Of the $53.4 million raised in fiscal 2006, $23.1 million is for Challenge 2010.

Debt

Outstanding long-term and short-term debt decreased by $16.4 million at December 31, 2006 from December 31, 2005 as a result of payments made on existing debt without incurring any significant new debt.

Leverage, debt to capitalization and debt service coverage ratios improved compared to 2005 with the improvement in operating income and cash flow combined with no significant additional debt. Leverage as measured by long-term debt to cash flow decreased to 3.5:1 (excluding the change in fair value of the interest rate swaps) for the year ended December 31, 2006 from 4.1:1 for the year ended December 31, 2005 (excluding the change in fair value of the interest rate swaps and the one time gain related to the investment in a FOJP insurance company discussed in *Management's Discussion and Analysis for the Year ended December 31, 2005)*. At December 31, 2006, debt to capitalization declined to 46% from 49% at December 31, 2005. Excluding the change in fair value of the interest rate swaps, debt service coverage of maximum annual debt service ("MADS") increased to 2.9:1 at December 31, 2006 from 2.8:1 at December 31, 2005.

Adjusting the ratios at December 31, 2006 for the pro forma of the cash defeasance which is expected to be concurrent with the issuance of the Series 2007 Bonds and the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities plus Series 2007A (new money) and Series 2007B (advanced refunding) Bonds, long-term debt to cash flow rises modestly to 3.8:1, debt to capitalization rises slightly to 47.6%, and debt service coverage of MADS improves to 3.3:1. Refer to "*Financial Ratios", "Capitalization" and "Long Term Debt Service Coverage Ratio"* tables herein and the following section "*Events Post December 31, 2006".*

Summary

The Obligated Group generated net income of $70.8 million for the year ended December 31, 2006 which compares favorably to the prior year. Improved revenue growth combined with cost containment initiatives have resulted in improved profitability and the growth rate of revenues exceeding the growth rate of expenses. As a result of the revenue and expense initiatives, management improved its balance sheet in 2006 and increased days cash on hand for the sixth consecutive year. The improvement in cash flow combined with no significant additional debt and prudent capital spending contributed to overall improvements in liquidity and leverage ratios even after support of affiliates.

The Obligated Group continues efforts to improve profitability despite existing market challenges and factors pressuring operating margins. Management is focused on reducing operating expenses further and creating additional volume through enhanced capacity and physician recruitment efforts. Management will continue monitoring strategic capital needs in relation to operations, fund-raising and incremental debt capacity.

Events Post December 31, 2006

In March 2007, NSLIJ entered into forward rate swaps of $155 million to lock in the interest rate before the credit spread on the pending new money Series 2007A Bonds. These swaps were cash terminated on May 8, 2007, the same day the Series 2007A Bonds were priced. Refer to *"Plan of Finance".*

Concurrent with the issuance of the Series 2007 Bonds, the Obligated Group intends to defease $59.2 million principal of the 1998 LIJMC bonds utilizing $61.0 million provided by the Foundation in order to reduce Maximum Annual Debt Service ("MADS") by creating more level future debt service requirements. Refer to "*Financial Ratios"* and *"Capitalization"* tables herein

On May 8, 2007, the same day as the Series 2007B Bonds were priced, NSLIJ entered into two forward fixed rate swaps which will commence May 31, 2007. Refer to PART 6 "ANNUAL DEBT SERVICE REQUIREMENTS".

Management's Discussion and Analysis for the Year ended December 31, 2005

Introduction

The Obligated Group finished the year ended December 31, 2005 with Excess of Revenue and Gains over Expenses ("net income") of $55.9 million, compared to $80.9 million for the year ended December 31, 2004. Excluding a one-time favorable non-cash income adjustment to Excess of Operating Revenue over Operating Expenses ("operating income") as well as the change in fair value of interest rate swap agreements, net income was $47.1 million for the current year compared to $64.5 million in the prior year. (For reference, the swap agreements primarily pertain to the interest rate hedge entered into by the Obligated Group in 2004 with various counter-parties with a notional amount of $120 million. The purpose of the hedge was to lock in a desired level of interest expense on the Series 2005A Bonds.)

For the year ended December 31, 2005, the favorable non-cash adjustment to operating income relates to a one-time gain related to an investment in an insurance captive which provides malpractice insurance for LIJMC. (Refer to the *"Other Operating Revenue, Net Assets Released from Restrictions Used for Operations and Net Margin"* section on the following pages for further discussion of this gain and the change in fair value of interest rate swap agreements*)*. For the year ended December 31, 2004, operating income included approximately $20 million of revenue related to a reversal of a prior year third-party liability with an insurance carrier that was settled at year-end without payment. Excluding the aforementioned items, net income for NSUH and LIJMC decreased $2.1 million and $9.0 million, respectively from the prior year.

The Obligated Group has experienced discharge volume running below previous run rates, a decline in surgical volume, an unfavorable payor shift, and an increase in expenses since the last half of 2004. In response to the increase in expenses especially at NSUH and LIJMC, in December 2005 management began implementing a system-wide initiative to bring expense trends back in line with revenue growth. This initiative included reducing full-time equivalents ("FTEs") by 220 at the tertiary facilities (which is expected to have a positive impact of approximately $14 million during FY 2006), and reducing agency fees, premium amounts paid for overtime and other general overhead expenses primarily at the tertiary facilities. To address the decline in surgical volume and an unfavorable payor shift, in the summer of 2005 LIJMC moved its existing adult and pediatric ambulatory surgery volume previously performed in hospital operating rooms to a new freestanding outpatient Center for Advanced Medicine, which was opened across the street from the main campus. This move provides operating room capacity in the hospital for incremental surgical volume. Management is currently in the process of recruiting new physicians to provide this incremental surgical volume as well as implementing patient throughput initiatives with the expectation of increasing the number of available beds.

In order to achieve short-term and long-term cash flow benefits from acceleration of accounts receivable collections as well as reductions in denials, write-offs, and bad debts, early in 2005, management began 18-month revenue cycle initiatives. The intent of these revenue cycle initiatives is to achieve a best in class revenue cycle process supported by technology and performance measures. This revenue cycle will be standardized across the Obligated Group hospitals.

Statement of Operations

Please note that certain 2004 and 2005 amounts in the audited combined financial statements have been reclassified from the amounts previously reported to conform to the 2005 and 2006 presentation. Refer to Management's Discussion and Analysis for the Year Ended December 31, 2006 for explanation of the reclassifications for 2005 relative to 2006.

In the audited combined statement of financial position at December 31, 2004, such reclassifications primarily consist of the increase in current portion of estimated payable to third party payors ($7.6 million) for amounts previously included in accounts receivable for services to patients ($1.8 million) and other long-term liabilities ($5.8 million).

In the audited combined statement of operations for 2004, such reclassifications consist of an increase in bad debt expense ($23.3 million) that previously was included in physician practice revenue, a decrease in employee benefits ($5.6 million) for fringe benefit recoveries from affiliated organizations previously included in other operating revenue and a decrease in supplies and expenses ($4.8 million) for purchase discounts and rebates previously included in other operating revenue. These reclassifications which resulted in the reclassification of Total Operating Revenue and Total Operating Expenses did not result in any change to the previously reported Excess of Operating Revenue over Operating Expenses or Excess of Revenue and Gains over Expenses.

Patient Revenues

The Obligated Group's core business consists of net patient service revenue ("hospital revenue") and net physician practice revenue ("physician revenue"). Together these components referred to as Total Patient Revenue grew 6.6% as a result of increased discharge volume, an increase in non-Medicare case mix at many of the hospitals, and an increase in payment rates partially offsetting the impact of the unfavorable payor shift. The Obligated Group's core business, as reflected in Total Patient Revenue as a percentage of total operating revenue, remained constant at 94% for the year ended December 31, 2005 and 2004. The majority of the Obligated Group members continue to operate at or near capacity. Outpatient revenue, which is included in net patient service revenue, increased 6.2% from the prior year primarily as a result of increased payment rates offsetting a decline in ambulatory surgery visits.

Other Operating Revenue and Net Assets Released from Restrictions Used for Operations

The major components of Other Operating Revenue of $90.8 million are hospital grants/contracts, investment income including the swaps' mark-to-market, cafeteria sales, and miscellaneous operating revenue. Net Assets Released from Restrictions used for Operations of $61.3 million consist of research grants and temporarily restricted revenue which covers related expenses. Excluding the change in fair value of the interest rate swap agreements and a $9.5 million one time gain in 2005, Other Operating Revenue and Net Assets Released from Restrictions used for Operations decreased 4.1% from the prior year. The $9.5 million one-time gain is related to LIJMC's investment in a Federation of Jewish Philanthropies of New York ("FOJP") insurance company. As part of its overall malpractice insurance program in the past, LIJMC obtained certain coverage through participation in a pooled program with other healthcare facilities affiliated with FOJP. LIJMC records its investment in FOJP under the equity method of accounting.

Included in Other Operating Revenue is investment income of $24.1 million (excluding unrealized gains and losses; the decline in fair value of the interest rate swaps of $0.8 million for the year ended December 31, 2005; and the $9.5 million one time gain related to the investment in a FOJP insurance company as described previously). This investment income represents an increase from $20.2 million (excluding unrealized gains and losses and the decline in fair value of the interest rate swaps of $3.6 million) in the prior year.

Expenses

As mentioned in the *Introduction*, management began in December 2005 implementing an initiative to bring expense trends back in line with revenue growth.

Total operating expenses for the year ended December 31, 2005 increased 7.9%. This increase was primarily due to increases in: salaries; employee benefit expense; and supplies and expenses attributed to implants, pharmaceuticals, and other surgical supplies.

For the year ended December 31, 2005, salaries, wages, nursing agency fees (included in supplies and expenses), and employee benefits were 58.3% of total operating revenue, which compares to 58.4% of total operating revenue for the prior year. Salaries and wages of $1.2 billion plus nursing agency fees of $11.4 million were 6.0% above the prior year ($1.1 billion and $10.1 million, respectively) primarily due to costs related to increased patient days, patient severity as measured by case mix, an increase in FTEs, staffing costs, and normal cost of living adjustments. Employee benefit expenses have increased primarily as a result of major medical expenses and pension costs attributed to an increase in FTEs as well as an increase in rates paid to insurance companies.

Supplies and expenses expressed as a percentage of total operating revenue was 31.2% for the year ended December 31, 2005 compared to 29.3% for the prior year. Supplies and expenses increased 13.3%, reaching $832.1 million for the year ended December 31, 2005 compared to $734.8 million for the prior year. This increase was primarily attributed to the supply usage (pharmaceuticals and medical/surgical supplies including implants) associated with the increased volume and increased Non-

Medicare case mix at many of the hospitals. The majority of the costs associated with medical/surgical supply usage including implants, blood and certain pharmaceuticals are either reimbursed as "pass-throughs" or covered by payments related to increased case mix included in net patient service revenue.

Interest expense of $34.2 million was 1.3% of total operating revenue compared to 1.2% in the prior year.

For the year ended December 31, 2005, bad debt expense of $103.9 million was 4.1% of Total Patient Revenue compared to 4.3% for the prior year. (*Note, bad debt expense for physician revenue is now included in bad debt expense for both years ended December 31, 2005 and December 31, 2004 as opposed to prior year presentations where it was netted against physician revenue.)*

The Members of the Obligated Group provided charity care of $89.1 million and $90.7 million for the years ended December 31, 2005 and 2004, respectively. Charity Care, as a percentage of hospital revenue, was 4.0% for the year ended December 31, 2005 and 4.3% for the year ended December 31, 2004.

Operating Margin

For the year ended December 31, 2005, total operating expenses of $2.6 billion increased 7.9% while total operating revenue of $2.7 billion increased 6.4%. Consequently, the Obligated Group finished the year ended December 31, 2005 with operating income of $50.8 million compared to $80.9 million for the prior year. Excluding the change in fair value of interest rate swap agreements, operating income was $51.5 million (1.9% of total operating revenue) for the current year compared to $84.5 million (3.4% of total operating revenue) in the prior year.

Net Margin

The Obligated Group finished the year ended December 31, 2005 with net income (operating income plus non-operating gains) of $55.9 million compared to $80.9 million for the same period in the prior year. Non-operating gains for the year ended December 31, 2005 consisted of $5.1 million unrestricted contributions, net of fundraising expenses. Net unrestricted contributions primarily reflect transfers from the Foundation to support the equity component of bond financed projects. Fiscal year 2004's amount was zero because there was no bond issue in 2004.

Excluding the change in fair value of interest rate swap agreements, net income was $56.7 million (2.1% total operating revenue) for the year ended December 31, 2005 compared to $84.5 million (3.4% total operating revenue) in the prior year.

Capitalization

The following table sets forth the Obligated Group's historical capitalization ratios as of December 31, 2005 and 2006 with the pro forma capitalization ratio, assuming the Series 2007 Bonds were issued resulting in a net increase in debt of $45,590,000.

North Shore - Long Island Jewish Obligated Group
Capitalization
(Dollars in Thousands)

	December 31, 2005	2006	Pro Forma*
Debt:			
2007 Debt	-	-	$ 284,810
Existing Debt	$ 692,114	$ 675,744	436,524
Total Debt	$ 692,114	$ 675,744	$ 721,334
Net Assets-Unrestricted	550,184	633,879	633,879
Net Assets-Temporarily Restricted	174,218	159,951	159,951
Total Capitalization	$ 1,416,516	$ 1,469,574	$ 1,515,164
Percentage of Debt to Capitalization	48.9%	46.0%	47.6%

*Pro forma existing debt reflects the cash defeasance of $59.2 million principal of 1998 LIJMC bonds, the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities and the repayment of $39.1 million project bridge loans with Series 2007A Bond proceeds.

Source: NSLIJ HCI Finance Department

Historical and Pro Forma Coverage of Debt Service

The following table sets forth the Obligated Group's historical debt service coverage ratios (using current pro-forma maximum annual debt service "MADS") calculated per the Master Trust Indenture for the years ended December 31, 2005 and 2006. MADS assumes pro-forma debt service including the cash defeasance of $59.2 million principal of 1998 LIJMC bonds and the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities plus Series 2007A (new money) and Series 2007B (advanced refunding) Bonds as if the Series 2007 Bonds were issued.

North Shore - Long Island Jewish Obligated Group
Long-Term Debt Service Coverage Ratio
(Dollars in Thousands)

	2005	2006	Pro Forma as of 12/31/06**
Funds Available for Debt Service:			
Excess of Revenue and Gains over Expenses	$ 55,896	$ 70,779	$ 70,779
Interest	34,192	37,661	37,661
Depreciation and amortization	104,042	99,458	99,458
Mark-to-Market on Swaps: Decrease (Increase)	751	(1,421)	(1,421)
Interest on Working Capital	(1,605)	(2,113)	(2,113)
Total Funds Available for Debt Service	$ 193,276	$ 204,364	$ 204,364
Maximum Debt Service Requirements:			
Existing Debt	70,225	70,225	
Existing Debt and Pro-Forma 2007 Debt (1)	-	-	61,077
Total Maximum Annual Debt Service Requirements	$ 70,225	$ 70,225	$ 61,077
Historical and Pro Forma Coverage Ratio	2.8	2.9	3.3

(1) Pro Forma Maximum Annual Debt Service at December 31, 2006 assumes the cash defeasance of $59.2 million principal of 1998 LIJMC bonds and the advance refunding of some 1998 NSOG, 1998 LIJMC and 2003 NSLIJOG maturities plus Series 2007A (new money) and Series 2007B (advanced refunding) Bonds. Debt service on the Series 2007B term bond maturing in 2018 is calculated at a fixed swap rate of 4.172%, and debt service on the Series 2007B term bond maturing in 2033 is calculated at a fixed swap rate of 4.373%. Existing Debt includes the Outstanding Authority Bonds, the IDA Bonds and certain other debt. Maximum Annual Debt Service is calculated in accordance with Authority covenants.

Source: NSLIJ HCI Finance Department

Payor Mix

The following table illustrates the payor mix for the Obligated Group:

Payor Mix
Percent of Gross Revenue (Inpatient & Outpatient)

	For the 12 Month Period Ended December 31,		
	2004	**2005**	**2006**
Medicare	44%	45%	44%
Medicaid	11%	12%	12%
Commercial	39%	38%	38%
Self Pay	2%	2%	2%
Other	4%	3%	4%
Total	100%	100%	100%

Source: NSLIJ HCI Finance Department

Reimbursement Methodologies

Medicare

Medicare covers hospital services for eligible individuals who are elderly, disabled or subject to certain chronic conditions. Medicare pays acute care hospitals, such as the Obligated Group hospitals, for most general medical/surgical services provided to eligible inpatients under a prospective payment system ("PPS") known as "inpatient PPS." Under the inpatient PPS, hospitals receive a predetermined payment amount for each Medicare discharge. This PPS payment is a standard national amount based on the diagnostic related group ("DRG") for the discharge subject to a geographic adjustment that takes into account wage differentials. DRGs classify treatments for illnesses according to the estimated costs of hospital resources necessary to furnish care for each patient's principal diagnosis. Hospitals are thus at financial risk for providing services to a patient at an actual cost greater than the applicable DRG payment. DRG rates are updated annually. Historically, the increases to the DRG rates have often been lower than the percentage increases in the costs of goods and services purchased by hospitals and eligibility for the full increase is currently conditioned upon a hospital's submission of quality data to Medicare. DRG weights are also recalibrated annually. Over the next three years, the inpatient PPS system will be revised so that the DRG weights will be determined based on hospital costs rather than hospital charges. Hospitals also receive additional payments for certain costs, such as new technology and capital-related costs as well as atypical cases (known as outliers). Hospitals also receive an additional per discharge payment based on a federal rate (with certain adjustments) to reimburse hospitals for capital costs. There is no assurance that these payments will be sufficient to cover the actual cost of providing hospital services.

Certain hospital inpatient facilities or units providing specialized services, such as rehabilitation or psychiatric units, are reimbursed under distinct reimbursement methodologies. Medicare implemented effective January 1, 2002, a distinct PPS for inpatient rehabilitation services and reduced the number of diagnoses that qualify a patient to be treated in an inpatient rehabilitation unit. Patients receiving rehabilitation services are classified into case mix groups based upon impairment, age, co-morbidities and functional capability. Hospitals receive a predetermined amount per discharge based on the patient's case mix group as adjusted for geographic area wage levels, low-income patients, rural areas and high-cost outliers. Medicare has begun to implement a distinct PPS for inpatient psychiatric services. Hospitals receive a predetermined per diem payment with adjustments for factors such as patient characteristics, DRG, hospital teaching status and geographic area wage levels. This psychiatric PPS system is being phased in over four years (beginning in 2005). Rehabilitation and psychiatric PPS rates are also subject to updates. There is no assurance that these payments will be sufficient to cover the actual cost of providing hospital services.

Most hospital outpatient services are also reimbursed on a PPS basis. Payments under the outpatient PPS are based upon ambulatory payment classification ("APC") groups. An APC group includes various services and procedures determined to be similar. APC rates are subject to a geographic adjustment that takes into account wage differentials and are adjusted annually. Hospitals are eligible to receive additional payments for certain new or high cost drugs and devices as well as certain outlier payments. There can be no assurance that the hospital outpatient PPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of the services.

Certain hospitals, including the Obligated Group hospitals, receive additional payment from Medicare to reimburse for the direct costs of graduate medical education ("GME"). Direct medical education costs ("DGME") are reimbursed under a prospective methodology based on a hospital-specific approved amount per resident. Additional payments are available to PPS teaching hospitals for the indirect medical education ("IME") costs attributable to their approved graduate medical education programs. The IME payment is an additional yearly payment calculated as a percentage add-on to the inpatient DRG payment. The payment is based on a formula that incorporates the hospital's ratio of residents to beds in use and total inpatient PPS revenue. DGME and IME reimbursement is subject to certain limitations, including a cap on a hospital's reimbursable residents based on the number of residents in a base year. Congress has repeatedly sought to limit GME reimbursement.

Over the past several years, various laws have modified payment methodologies and levels. The Balanced Budget Act of 1997 ("BBA") contains numerous provisions intended to reduce or contain Medicare expenditures for hospital services. The BBA has been generally viewed as an important factor in the adverse financial results experienced by many acute care hospitals. The Medicare, Medicaid and State Children's Health Insurance Program ("SCHIP") Balanced Budget Refinement Act of 1999 and the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 modified and delayed some of the reductions contained in the BBA. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") mandates substantial and wide ranging changes to the Medicare program to be implemented over a number of years. Some significant changes included, without limitation, the expansion of outpatient prescription drug coverage through the creation of Medicare Part D drug benefit, the replacement of the previous Medicare managed care program with a new program that offers additional health plan options and incentives to health plans to participate, modifications to coverage and payment for various providers under traditional fee-for-service Medicare, changes to combat waste, fraud and abuse and reforms to regulatory procedures. Some changes specific to hospital services include: an annual inpatient PPS rate equal to the full market basket increase through 2007 (with the increase in 2005 through 2007 contingent upon the submission of quality data), changes in the treatment of new technology under inpatient PPS, temporary relief to reductions in IME payments, the reduction in IME and DGME full time equivalent resident caps for some hospitals to establish an opportunity for program expansion for rural and small urban hospitals, and revisions to payments for hospital outpatient drugs. The Deficit Reduction Act of 2005 was enacted to slow the growth of Medicare and Medicaid funding and contains provisions that affect Medicare reimbursement for hospital services. Significant changes included, without limitation: extending and revising the requirement that hospitals submit quality data to obtain a full market basket increase in inpatient and outpatient rates (and avoid a 2% reduction in the increase); and extending the implementation of certain eligibility criteria for inpatient rehabilitation facilities. Medicare payments for acute care hospitals have been significantly reduced in recent years. Any future reductions could have a material adverse effect on the financial condition of the Members of the Obligated Group. See also "PART 8 – RISK FACTORS AND REGULATORY CHANGES –"Legislative, Regulatory and Contractual Matters Affecting Revenue".

Medicaid, Blue Cross and Commercial Insurance Carriers

In New York State, Medicaid is a jointly funded federal-state-local program administered by the State. The federal share of the State's Medicaid expenditures is approximately 50%. Every year, NSLIJ System's hospitals and nursing homes must have their Medicaid reimbursement rates certified for the forthcoming year by the New York State Commissioner of Health and approved by the State Director of Budget, recognizing economic and budgetary considerations. Since its application for a federal Medicaid waiver under Section 1115 of the Social Security Act was first approved in 1997, the State of New York has enrolled most of its Medicaid population into private managed care plans; a further extension of that waiver is currently being negotiated. Under the waiver, Medicaid recipients are required to enroll in one of several managed care options, unless they fall into an exempt or excluded category enumerated in the New York statute. Management of the Obligated Group believes that Medicaid fee-for-service payments will likely constitute a reduced percentage of the Obligated Group's inpatient revenue as Medicaid managed care plans contract with hospitals on a negotiated-rate basis.

Prior to January 1, 1997, New York hospitals' non-Medicare inpatient revenue was based on payment systems regulated in accordance with the New York Prospective Hospital Reimbursement System ("NYPHRM"). Hospitals were free to negotiate special rates and payment mechanisms outside the NYPHRM mandates only with health maintenance organizations certified under Article 44 of the New York Public Health Law. Effective January 1, 1997, the Health Care Reform Act ("HCRA") took effect and deregulated inpatient hospital payment rates for all non-Medicare payors except Medicaid and certain miscellaneous payors (such as No-Fault and Workers' Compensation). Under HCRA, all non-Medicare payors except those covered by Medicaid, No-Fault and Workers' Compensation are billed at hospital-specific contracted rates, or, if no contracts have been negotiated, at the hospital's established charges.

On March 28, 2007, Governor Spitzer and the Legislature agreed to continue HCRA which will expire on March 31, 2008 and modified some of the payment streams. The key modifications are a 25% reduction in the trend factor, the elimination of the 0.35% Gross Receipts Tax, the elimination of the 2005 version of the Workforce Recruitment funding and reductions to the Graduate Medical Education pool ("GME"). In addition, the 2002 version of the Workforce Recruitment funding will experience a statewide cut in addition to a revised distribution methodology, however, this funding continues past the June 30, 2007 end date that would have occurred had HCRA not been extended.

HCRA establishes mechanisms to finance so-called "public goods" consisting of funding for hospital indigent care and GME costs, as well as health care initiatives such as workforce recruitment and retention payments, Child Health Plus and various public health initiatives. Third-party payors are encouraged, through fiscal incentives, to contribute certain surcharge and assessment amounts directly to public good pools, although they retain the option of paying these amounts, plus penalties, directly to designated providers at the point of service. The general hospital indigent care pool replaces the state and regional Bad Debt and Charity Care pools that existed under NYPHRM; is funded at higher levels; and provides a more consistent, state-wide distribution methodology, with certain "high-need" hospitals entitled to higher coverage of their uncompensated care losses. The GME or professional education pools are distributed on a regional basis. Beginning in 2005, with a retroactive adjustment for 2004, approximately 20% of the amounts previously distributed to hospitals from the GME Pool has been reallocated and is now being paid to hospitals as a component of their per-case payment. Health care initiatives pay for special projects, particularly expansion of coverage for children and other special populations.

The change from NYPHRM to HCRA has not had a material effect on the Obligated Group's revenues. See also "PART 8—RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP – "State Budget" and "Legislative, Regulatory, and Contractual Matters Affecting Revenue."

Managed Care

NSLIJ System has established relationships with most managed care companies in the market and these contracts cover most products (HMO, point of service, PPO) and payor types (Medicare, Medicaid, commercial). The four managed care companies that represent the largest managed care patient volume within the NSLIJ System are Empire Health Choice/Wellpoint, Oxford Health Plans/United HealthCare, HIP/Vytra and GHI (pending merger), and Aetna US Healthcare.

The hospitals of the NSLIJ System, including the Members of the Obligated Group, employ a multifaceted strategy for managed care contracting. The goal of the contracting effort is to create mutually beneficial arrangements with managed care payors that will enable the NSLIJ System to maintain and enhance the quality of care provided to patients. This strategy was implemented in an effort to allow the NSLIJ System to maintain stable compensation/revenue through a combination of price enhancements and increases in volume to its facilities. The contracting initiatives include unified system-wide contracting, payment assurances, limitations on payor denials, periodic interim payments (advances) with certain payors, preferred pricing and volume objectives, open panels for physicians and diversified contracting for various products offered by each carrier.

These efforts are taking place despite the increased strength of payors due to a number of factors. Payor consolidation in the marketplace would further disadvantage hospitals and result in a small number of managed care payors controlling the majority of discharges. Shifts between product types within a particular payor's population may adversely affect expected compensation/revenue. In addition, managed care payors have also begun carving out many services (such as Behavioral Health / Substance Abuse or

Radiology) to third parties, as well as creating sub-networks ("centers of excellence") for high cost services such as cardiac care or bone marrow transplants, restricting the number of providers that may offer these services to their members in return for additional discounts or contract terms favoring the payor. In order to respond to these market shifts, the NSLIJ System has implemented a multi-year "payor parity" strategy, which includes relative price parity among payors for tertiary and community hospitals and shift to severity-adjusted case rates. While these goals have largely been achieved, a focus has been placed on a move toward product parity so that shifts in product type or benefit design will not have an adverse impact on compensation/revenue. Once this has been accomplished, price variations between payors will be based strictly on the intrinsic value a contract may have for each NSLIJ System hospital. Examples of this include: provisions regarding volume channeling, more favorable payment terms, participation in "centers of excellence", or the relative size of the payor in the marketplace.

The majority of managed care reimbursement is paid on either a discounted fee-for-service basis or case rate according to contracted rates. Financial terms are established based upon the size of health plan membership and the ability of the company to direct patients to the NSLIJ System. Separate rates are established for each product line (Medicare, Medicaid, Indemnity, HMO, and PPO). Most contracts are either on a DRG-based per case rate for all acute services or include per diem rates for general inpatient services and an extensive number of DRG-based case rates for tertiary and quaternary care. Psychiatric and Rehabilitation services are generally negotiated on a per diem basis. Global rates, which are composite rates that include hospital and physician services, have been established for select cardiac and transplant services. Outpatient services are reimbursed on a percent of charges or fixed fee schedule basis.

Most Medicaid managed care members are enrolled with Prepaid Health Services Plans ("PHSPs"). PHSPs are managed care companies that were enabled by New York State as part of the federal waiver it received to enroll Medicaid eligible patients in managed care. For several years, the NSLIJ System has been preparing for the implementation of mandatory Medicaid managed care enrollment in New York City and Nassau and Suffolk Counties, New York, through contracting initiatives and operational changes to ensure continued patient volume through outpatient clinics in the NSLIJ System. A major part of this initiative has been to purchase an ownership interest in Healthfirst, a Medicaid HMO owned collectively by a consortium of hospitals in the region and one of the largest PHSPs in New York City. With an ownership interest in Healthfirst, and contracts with a few other large Medicaid managed care insurers, the NSLIJ System is well positioned to retain both patient volume and reasonable reimbursement during the transition from traditional Medicaid to Medicaid Managed Care. See also "PART 8—RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP - Medicare and Medicaid Managed Care."

The Obligated Group Members

Long Island Jewish Medical Center

Introduction

LIJMC is a not-for-profit, 827-certified bed, tertiary care teaching medical center serving the greater metropolitan New York area, Queens and Long Island. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 867. The 48-acre campus is located in New Hyde Park, 15 miles east of Manhattan on the border of Queens and Nassau Counties. LIJMC comprises three divisions: (1) Long Island Jewish Hospital ("LIJ"), a 452-bed (expected to be 492-beds when projects financed with the 2007 Bonds are completed and surveyed by the Department of Health) tertiary adult care hospital with advanced diagnostic and treatment technology and modern facilities for medical, surgical, dental and obstetrical care; (2) Schneider Children's Hospital ("SCH"), a 139-bed pediatric hospital; and (3) The Zucker Hillside Hospital ("ZHH"), a 236-bed behavioral health hospital providing inpatient and outpatient psychiatric care.

According to *Crain's New York Business* (March 26, 2007), LIJMC is ranked the eighth (8^{th}) largest hospital in the New York area by operating expenses. According to *Long Island Business News – 2006 Book of Lists,* LIJ is the seventh (7^{th}) largest hospital by number of beds in Nassau and Suffolk Counties, New York.

History

LIJ was incorporated in 1949. In 1973, LIJ merged with Hillside Hospital, a behavioral health facility that was founded in 1927, and in 1983, Schneider Children's Hospital, was opened. SCH is currently one of four acute care children's hospitals in downstate New York.

Medical Education

LIJMC has a major academic affiliation with Albert Einstein College of Medicine for research and medical education purposes. Its accredited residency and fellowship training programs participate jointly with NSUH-M in the education of over 900 physicians, surgeons and dentists-in-training. These initiatives represent a major commitment of medical and dental staffs, many of whom serve jointly with related programs at NSUH-M. Graduate medical education programs involve both voluntary staff and full-time faculty who contribute significantly to the education of future practitioners, many of whom remain in the communities served by the institutions of the NSLIJ System. All major specialties are participants in graduate medical education programs in both inpatient and ambulatory settings. LIJMC also engages in clinical and basic science research programs funded by federal, state, local and philanthropic agencies, which support diagnosis and treatment in adults and children in surgery, psychiatry, dentistry and other major specialties.

Schneider Children's Hospital

SCH is one of four acute care children's hospitals in downstate New York. Specifically, SCH provides specialized pediatric services on an inpatient and ambulatory basis. SCH's staff includes 150 full-time faculty members and 800 community-based physicians integrated into an interactive network consisting of practice management and other services provided by SCH, which has the largest pediatric teaching program in the United States, including a fully accredited fellowship program of Neonatal-Perinatal Medicine. The program is cutting edge, with high-tech respiratory support ("ECLS"), selective brain-cooling methodology as well as extensive cardiology and cardiovascular surgical services and training. SCH is regarded as one of the leading children's hospitals in New York and is one of the leading children's educational institutions in New York State. All residents and fellows at SCH have been approved by the Residency Review Committee of the Accreditation Council for Graduate Medical Education.

The Zucker Hillside Hospital

A significant number of Albert Einstein College of Medicine medical students obtain training at this institution in psychiatric illnesses and behavioral disorders which is not readily obtainable elsewhere.

Awards

According to *New York* magazine, November, 2006, "Best Hospitals" in the New York Metropolitan area, LIJMC was among the top 10 in the magazine's "best overall hospitals" listing. LIJMC was also listed among the top 10 in Ear, Nose and Throat, Digestive Disorders and OB/GYN. These rankings were based on a survey of physicians conducted by Castle Connolly Medical Ltd.

According to a 2005 survey published in *New York* magazine, June 19, 2006, "Best Doctors in New York" issue, LIJMC has 35 doctors (LIJ –12, SCH – 22 and ZHH -1) recognized as being at the top of their field in the New York area. (Note: some of these physicians may also have affiliations with NSUH-M.) Those honored at LIJ represent a wide variety of specialties in medicine including Otolaryngology, Vascular Surgery, Orthopedic Surgery, Neurology, Thoracic Surgery, Pulmonary Disease, Hematology, Pathology, Geriatric Medicine, and Urology. Physicians honored at SCH practice in the fields of Pediatrics, Adolescent Medicine, Pediatric Cardiology, Allergy and Immunology, Neonatal-Perinatal Medicine, Child Neurology, Child and Adolescent Psychiatry, Pediatric Endocrinology, Pediatric Nephrology, Pediatric Otolaryngology, Pediatric Surgery, Pediatric Rheumatology, Pediatric Hematology-Oncology, Pediatric Gastroenterology, and Pediatric Infectious Disease. The physician honored at ZHH practices in the field of Geriatric Psychiatry.

LIJMC was the National Research Corporation 2004/2005, 2005/2006 and 2006/2007 Consumer Choice Award winner for Queens County. The award identifies hospitals which healthcare consumers have chosen as having the highest quality and image in 180 markets throughout the U.S.

Specialized Programs and Services

Long Island Jewish Hospital

LIJ is a tertiary care hospital in Queens County, New York. The majority of LIJ's programs are located on LIJMC's campus, the Manhasset Ambulatory Pavilion or at NSLIJ's Center for Advanced Medicine in Lake Success. The following describes some of these specialty services in addition to those highlighted in "Centralized Services, Common Objectives and Coordinated Clinical Leadership of the NSLIJ System, NSLIJ HCI and the Obligated Group Members":

- The Hearing & Speech Center is the largest facility on Long Island (including Queens County, New York) for early detection, diagnosis and remediation of hearing and speech deficiencies in patients of all ages.

- The Ann & Jules Gottlieb Women's Comprehensive Health Center offers a full spectrum of women's health services in a single facility.

- The Sandra Atlas Bass Cardiology Center and the Harris Chasanoff Heart Institute provides heart disease diagnosis, treatment and follow-up care and includes the division of cardiothoracic surgery, three state-of-the-art cardiac catheterization laboratories, an electrophysiology laboratory, nuclear cardiology, and non-invasive cardiology.

- In 2006, LIJ opened a new cardiac catheterization lab and an electrophysiology lab.

- In 2005, the Division of Cardiology at LIJ opened a new 15-bed Short-Stay Unit and Non-Invasive Cardiology Suite.

- The Francis & Alexander Cohen Institute of Oncology provides total cancer care, including autologous and stem cell bone marrow transplantation, ambulatory chemotherapy and an inpatient unit with specialized staff and services for cancer patients.

- The Joel Finkelstein Cancer Foundation Radiation Oncology Institute has four linear accelerators and provides stereotactic radiosurgery to treat brain tumors and conformal 3-D radiation treatment, radioactive seed implantation and minimally invasive surgery.

- The Vascular Institute provides surgical and non-surgical approaches to the diagnosis and treatment of vascular disease, such as aortic aneurysms.

- The Epilepsy Center is one of the few New York State Certified Comprehensive Epilepsy Centers. It provides 24-hour inpatient video and EEG monitoring, depth electrode monitoring, and medical and surgical therapies.

- The Stroke Center, which serves as a major recruiting center for national trials, provides state of the art diagnosis and treatment through a carotid and transcranial Doppler laboratory. The continuum of care runs from emergency neurologic and nursing evaluation through acute treatment, long term rehabilitation and post stroke care.

- The Institute for Medical Effectiveness & Research focuses on issues raised throughout the NSLIJ System regarding clinical care and health policy.

- The Comprehensive Hemophilia Treatment Center serves as the federally-designated regional Hemophilia program for Long Island. It provides lifelong diagnostic, treatment, education and support services to children, adults and families.

- Other LIJ programs include the Pain and Headache Treatment Center, the Sleep/Wake Disorders Center, emergency medicine, pulmonary and critical care, women's health services, ambulatory clinics, urology services, acute and chronic dialysis, neurology, gastroenterology and endoscopy, dental medicine and ophthalmology.

- LIJ has one of the best rates for successful cardiac care in New York State. A 2006 New York State Department of Health report shows that LIJ was one of only three hospitals in New York State to receive a double-star ranking for angioplasty success rates during 2002-2004, even though it routinely performs the procedure on high-risk patients. The same report also showed that Dr. Barry Kaplan, director of cardiac catheterization at LIJ, was one of six cardiologists receiving a double star rating for New York State's lowest mortality rate among cardiologists who perform angioplasty. Dr. Kaplan is one of only two cardiologists in the state to receive this honor in every New York State report since 1998. The New York State Department of Health analyzed the risk-adjusted mortality rates for angioplasty rates from 2002 to 2004 (the latest three-year period for which data was available) for 48 hospitals and reviewed outcomes of 350 cardiologists statewide performing angioplasty. Double-star rankings are assigned to hospitals and physicians that have risk-adjusted mortality rates that, from a statistical standpoint, are significantly lower than the state average. LIJ is the only hospital in the state to perform a majority of angioplasty procedures using the radial approach, a technique in which the procedure is performed through the patient's wrist instead of the groin. This procedure has been shown to reduce bleeding complications and allows for early ambulation after the procedure.

- LIJ opened an Apelian Cochlear Implant Center in 2005. The 7,000 square-foot center houses three therapy suites with viewing and treatment rooms, as well as a voice lab, office space, diagnostic room and audiologic suite.

- The hospital is expected to begin construction in 2007 on a new seven-story parking garage that will have a capacity for 1,100 vehicles. The garage is scheduled for completion in the spring of 2008.

- Construction is under way to expand the current Emergency Room which will more than double the size of LIJMC's current Emergency Department to more than 36,000 square feet and include 60 treatment modules, including discrete programs for psychiatric emergency services. The first phase is expected to be completed by July 2007. The full project is expected to be completed in 2009.

- Construction is under way to add 40 more critical care beds, bringing the LIJ critical care bed complement to 72.

Schneider Children's Hospital

SCH's services include primary, secondary, tertiary and quaternary care providing a continuum of medical, surgical, psychiatric and dental care for children. Subspecialty areas include 20 pediatric medical subspecialties, nine pediatric surgical subspecialties, child and adolescent psychiatry, pediatric anesthesia, radiology, pathology, and physical medicine. SCH has the following disease specific multi-disciplinary centers: hemophilia, cystic fibrosis, ano-rectal malformations, oncology and specific programs for children with chronic and congenital medical problems. Other SCH programs include the Sleep Disorders Center, emergency medicine, pulmonary and critical care, ambulatory clinics, urology services, neurology, gastroenterology and endoscopy, dental medicine and ophthalmology. In addition, SCH has emergency pediatric and neonatal transport services, a Level 1 pediatric trauma center, a Neonatal Intensive Care Unit, a Pediatric Intensive Care Unit and is certified as the Regional Perinatal Center. Furthermore, SCH has a Children's Heart Center and The Gambino Medical and Science Foundation Bone Marrow Stem Cell Transplantation Unit. In 2004, it established the Childhood Brain and Spinal Cord Tumor Center and a new Pediatric Cardiology Center specializing in surgical care, stenting, fetal cardiology and post operative treatment. SCH also maintains tertiary consultation centers in Commack, Hewlett, Flushing, Brooklyn and Manhattan. In 2004, it also developed a regional, integrated neo-natal infant and child transport system permitting a 30% increase in transports to SCH.

Awards

SCH was ranked 17th in the nation out of 144 children's hospitals in *Child* Magazine (January 2005). It was one of only two hospitals in New York to make the magazine's "top 25". (Morgan Stanley Children's Hospital of New York-Presbyterian in Manhattan was 16th on the list.)

According to *New York* magazine November, 2006 "Best Hospitals" in the New York Metropolitan area, SCH was listed number two in pediatrics. This ranking was based on a survey of physicians conducted by Castle Connolly Medical Ltd.

The Zucker Hillside Hospital

ZHH in Glen Oaks is recognized nationally for its pioneering work in the diagnosis, treatment and research of mental illness. ZHH provides a comprehensive array of diagnostic and treatment services to elderly, adult, adolescent and children suffering from acute and chronic mental illness. The services include a continuum of care consisting of: inpatient and partial hospitalization, outpatient clinic and day treatment services, alcohol and substance abuse services, rehabilitation/vocational programs and residential treatment. Some of ZHH's more notable specialized programs in the areas of research, patient care and community education include the National Institute for Mental Health-designated Clinical Research Center for Study of Schizophrenia, the Center for Neuropsychiatric Outcomes, Rehabilitation Research, Vocational Rehabilitation Programming, Community Residential supportive living programs, the School Mental Health Alliance and Child Psychiatry Forensic Services. Programs and services are located on the LIJMC campus as well as at various community based locations.

The inpatient service includes 236 licensed psychiatry beds. In 2004, ZHH opened a new Ambulatory Care Pavilion. Adult ambulatory specialty areas include: the Day and Partial Hospital Programs; treatment of phobias, depression and anxiety disorders; a clozapine clinic and electroconvulsive therapy. Geropsychiatric service areas include: a Partial Hospital Program; treatment of dementia and Alzheimer's disease; Eldercare Homebound Program and Nursing Home Liaison. Child ambulatory specialty areas include: Child and Adolescent Day Hospital; treatment of adolescent depression; crisis intervention; treatment of chemical dependency; parenting skills training; attention deficit hyperactivity disorder; On-Site School Programs and Eating Disorders Program. Chemical dependency services include: crisis screening and intervention; Outpatient/Intensive Day Programs; outpatient detoxification; Methadone Maintenance Program; family support groups and Hillside Evaluation Center.

Specialized services provided at community-based sites include:

- Hillside Eastern Queens Mental Health Center – Queens Village, New York – Child, adolescent and adult mental health treatment.
- Nassau Day Training Program – Hicksville, New York – Vocational rehabilitation and training.
- Far Rockaway Treatment Center – Far Rockaway, New York – Substance abuse treatment services for adults and adolescents.
- Intensive Psychiatric Rehabilitation Treatment – Hollis, New York - Vocational assessment, rehabilitation and training.
- Elmont Treatment Center – Elmont, New York - Substance abuse treatment services for adults.
- Mineola Community Treatment Center – Mineola, New York - Substance abuse treatment services for adults and adolescents.
- Family Treatment Program – Bayside, New York - Substance abuse treatment services for adults.
- Project Outreach - West Hempstead, New York - Substance abuse treatment services for adults.
- On-Site School Services – Far Rockaway, New York – School based child and adolescent mental health services.

Awards

According to *New York* magazine, November, 2006, "Best Hospitals" in the New York Metropolitan area, ZHH was listed among the top 10 in psychiatry. These rankings were based on a survey of physicians conducted by Castle Connolly Medical Ltd.

Utilization Statistics for Long Island Jewish Medical Center (LIJMC)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery)	41,184	42,123	43,111
Patient Days (excl. Nursery)	286,978	288,962	290,764
Average Length of Stay (in Days) (1)	6.97	6.86	6.74
Average Daily Census	784	792	797
Beds Available (2)	809	809	809
Percent of Occupancy (2)	97.8%	97.9%	98.5%
Normal Newborn Discharges (3)	4,847	4,667	4,821
Total Discharges	46,031	46,790	47,932
Outpatient			
Emergency Room Visits	41,277	40,259	41,621
Emergency Room Admissions	19,383	19,393	20,642
Total ER Encounters	60,660	59,652	62,263
Clinic Visits (4)	169,552	169,217	173,714
Ambulatory Surgery Visits (5)	21,474	20,067	21,832
Other Outpatient Visits (6)	134,947	134,067	131,592
Psychiatry Day Hospital (7)	54,494	53,166	43,315

(1) Decreased average length of stay reflects management initiatives.

(2) 14 additional Pediatric beds opened in July 2004. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period. The 2004 occupancy rate restated to reflect leap year bed days available.

(3) Inceased volume due primarily to physician recruitment.

(4) Increased clinic visits in 2006 primarily due to shift of NSUH-M pediatric services to Schneider Children's Hospital (LIJMC) and transfers from the discontinued Queens Day Center to on-site programs.

(5) Ambulatory Surgery visits decreased in 2005 primarily due to changes in reimbursement that encourage the shift of endoscopies and other procedures to physician offices, and a managerial emphasis on the use of other procedures to physician offices, and a managerial emphasis on the use of operating rooms for more profitable inpatient cases at LIJMC. In the summer of 2005, LIJMC moved its existing adult and pediatric ambulatory surgery volume previously performed in hospital operating rooms to a new freestanding outpatient Center for Advanced Medicine at Ipark which was opened across the street from the main campus.

(6) 2004 and 2005 restated to include Radiation Therapy and Interventional Radiology visits not in previously reported and to conform with current year reporting methodology. Other outpatient visits decreased in 2005 due to relocation of some dialysis services to Manhasset campus, and in 2006 primarily due to decline in lab referrals.

(7) Decreased Psychiatry Day Hospital primarily due to reduction of the Child/Adolescent summer program in 2005 and closure of the LIJMC Queens Day Center in 2006 for cost savings.

Source: NSLIJ Finance Department

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of LIJMC for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Long Island Jewish Medical Center
Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$755,789	$811,460	$830,492	$203,181	$218,576
Physician practice revenue	120,371	127,891	125,799	30,977	33,129
Other operating revenue	28,235	40,853	41,537	8,213	6,915
Net assets released from restrictions used for operations	29,208	25,296	22,206	6,751	5,498
Total operating revenue	933,603	1,005,500	1,020,034	249,122	264,118
Operating expenses:					
Salaries	440,515	467,921	481,011	117,472	122,189
Employee benefits	115,974	124,567	130,105	33,078	34,131
Supplies and expenses	271,507	312,801	310,805	73,319	78,091
Bad debt expense	48,079	44,806	38,491	10,810	10,864
Depreciation and amortization	37,107	37,498	33,792	9,991	9,481
Interest	10,024	13,011	12,493	3,336	3,011
Total operating expenses	923,206	1,000,604	1,006,697	248,006	257,767
Excess of operating revenue over operating expenses	10,397	4,896	13,337	1,116	6,351
Nonoperating gains:					
Contributions, net of fundraising expenses	-	1,120	-	-	-
Excess of revenue and gains over expenses	$10,397	$6,016	$13,337	$1,116	$6,351

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of an increase in bad debt expense ($13.9 million) that previously was included in physician practice revenue and a decrease in supplies and expenses ($2.4 million) for purchase discounts and rebates previously included in other operating revenue.

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($10.9 million) and employee benefits ($4.3 million) and an increase in supplies and expenses ($15.3 million) to conform to current year centralized administrative expense allocation methodologies.

Employees

LIJMC is a member of the League of Voluntary Hospitals. Local 1199 (Service Employees International Union's United Healthcare Workers East) represents the largest segment of the unionized staff at LIJMC. The contract covers most of LIJMC's support and clerical staff and expires on September 30, 2011. Through December 31, 2006, LIJMC's security staff was represented through a separate contract with the Special and Superior Officer's Benevolent Association ("SSOBA"). The contract expired on December 31, 2006. The SSOBA union decided not to renew their contract with LIJMC, and the Security Officers elected to become non-union. Management characterizes its relationship with its employees as good.

North Shore University Hospital

Introduction

NSUH has two divisions: the Manhasset Campus (NSUH-M) and the Syosset Campus (NSUH-S). According to *Long Island Business News-2006 Book of Lists*, NSUH-M is the largest hospital by beds in Nassau and Suffolk Counties, New York. According to *Crain's New York Business,* March 26, 2007, NSUH is ranked the fifth (5^{th}) largest hospital in the New York area by operating expenses.

NSUH-M is a tertiary care teaching institution with 788-certified acute care beds. When projects financed with the Series 2007 Bonds are completed and surveyed by the Department of Health, certified beds are expected to be 812. NSUH-M is located in the Village of Manhasset, Town of North Hempstead, in the northwestern corner of Nassau County, New York. In addition to the main tertiary hospital, its facilities include the Schwartz Ambulatory Surgery Center and a community health center with dental and psychiatric clinics located on the Manhasset campus; the Goldman Family Care Center, the NSUH Eye Center, and the Israel and Julia Waldbaum Dialysis Center, all located within approximately one mile of the main hospital; and a Pediatric Mobile Health Center and the Fay J. Lindner Pavilion in Bethpage, NY, its main off-site clinics.

NSUH-S is a community hospital with 103-certified beds. NSUH-S is located on a 5-acre site on Jericho Turnpike in Syosset, in the Town of Oyster Bay, at the eastern edge of Nassau County, New York. NSUH-S does business as Syosset Hospital.

History

Manhasset Campus

First chartered in 1946, NSUH-M commenced operations in 1953 as a 169-bed, not-for-profit community hospital in the Lippert Pavilion. The hospital has undergone significant expansion since 1953.

Syosset Campus

NSUH-S was constructed in the 1960's as Syosset Hospital, a proprietary hospital. In December 1995, Syosset Community Hospital joined the North Shore Health System and was renamed North Shore University Hospital at Syosset. On September 5, 1997, NSUH-S merged with NSUH-M to form NSUH. NSLIJ realigned NSUH-S to provide primarily minimally invasive and ambulatory surgery care. Its 103 beds represent 71 medical/surgical beds, 12 intensive care beds, and 20 psychiatric beds.

NSUH-S and PVH are overseen by the same regional executive director and coordinate medical and administrative functions.

Medical Education

Manhasset Campus

NSUH-M has major academic affiliations with New York University School of Medicine and (effective July 15, 2004) with Albert Einstein College of Medicine of Yeshiva University. Under the Albert Einstein College of Medicine agreement, undergraduate medical students at Albert Einstein College of Medicine are able to complete clinical rotations at both NSUH-M and LIJMC. Students from the NYU School of Medicine, SUNY Downstate, and New York College of Osteopathic Medicine receive clinical training at NSUH-M. The hospital conducts 46 accredited graduate education programs for physicians, surgeons and dentists-in-training over a wide range of specialty services. In addition, the hospital is affiliated with over 60 educational institutions in the metropolitan area, providing clinical instruction and training to more than 800 medical and allied health professionals each year.

All clinical departments of NSUH-M have significant responsibilities in the teaching of medical students for which their faculties receive academic appointments. Faculty in these departments also coordinate research programs and implement post-graduate (continuing) education for all members of the medical staff.

A major portion of the medical student body at the NYU School of Medicine receives clinical training at the hospital for required and elective rotations in the third and fourth year. Students from other American and Canadian medical schools are also accepted by the hospital for elective rotations.

NSUH-M offers a fully accredited fellowship program of Neonatal-Perinatal Medicine. The program is cutting edge, with high-tech respiratory support (“ECLS”), selective brain-cooling methodology as well as extensive cardiology and cardiovascular surgical services and training.

NSUH-M offers specialty and subspecialty residency and post-graduate training programs and various clinical fellowships with 390 residents and fellows. A total of 14 residency Programs and 20 residency subspecialties for physicians are approved by the Accreditation Council for Graduate Medical Education. NSUH-M’s program in Dentistry is approved by the American Dental Association. NSUH-M participates in the National Residency Matching Program and is a member of the Council of Teaching hospitals and the Association of American Medical Colleges.

Allied Health Education

In addition to postgraduate and undergraduate medical and dental education, NSUH-M has affiliations with 58 colleges, universities and institutes and is a clinical campus for 18 schools of nursing. NSUH-M also provides clinical instruction to students in a wide variety of fields such as clinical nutrition, clinical pharmacy, clinical psychology, clinical x-ray, community/school psychology, creative arts therapy, dental assisting, educational counseling, food service management, healthcare administration, health education, human genetics, library science, licensed practical nursing, medical biology, medical laboratory technology, medical records administration, medical secretarial, neuropsychology, nuclear medicine technology, occupational therapy, perfusion techniques, physical therapy, radiation therapy technology, registered nursing, rehabilitation counseling, respiratory therapy, social work, special education, speech pathology/audiology, and ultrasound technology.

Affiliations

As a tertiary care referral center and teaching hospital, NSUH-M maintains affiliations with other healthcare providers, including clinical affiliations with hospitals for patient care and medical education; transfer agreements with hospitals to provide for the transfer of patients to NSUH-M for tertiary care, including neonatal, cardiac care and trauma; transfer agreements with nursing homes in Nassau and

Suffolk Counties for mutual referrals for services, and arrangements with social agencies and schools for medical back-up services. To expedite these services, NSUH initiated the North Shore University Hospital Emergency Medical Service. This ambulance service was introduced in 1993 to provide for institutional transfers of high risk, pediatric, neonatal and adult patients. This vital outreach service links NSUH with community hospitals and treatment centers in the region.

Awards

Manhasset Campus

According to *New York* magazine, November, 2006, "Best Hospitals" in the New York Metropolitan area, NSUH-M was among the top 10 in the magazine's "best overall hospitals" listing. NSUH-M also ranked in the top 10 in Cancer, Cardiac, Digestive Disorders, OB/GYN and Neurology/Neurosurgery. These rankings were based on a survey of physicians conducted by Castle Connolly Medical Ltd.

According to a 2005 survey published in *New York* magazine, June 19, 2006, "Best Doctors in New York" issue, NSUH-M has 19 doctors recognized as being at the top of their field in the New York area. (Note some of these physicians may also have affiliations with LIJMC). Those honored represent a wide variety of specialties in medicine including Internal Medicine, Hematology, Pediatric Allergy and Immunology, Gynecologic Oncology, Hand Surgery, Maternal and Fetal Medicine, Child and Adolescent Psychiatry, Plastic and Reconstructive Surgery, Sports Medicine, Pulmonary Disease, Cardiovascular Disease, Nephrology, Neurology, Neurological Surgery, Otolaryngology, and Urology.

NSUH-M has one of the best rates for successful cardiac care in New York State. According to *U.S. News & World Report* (July 12, 2004), NSUH-M was ranked number 48 among the magazine's top 50 Heart and Heart Surgery hospitals. *Money* Magazine (Fall 2003) ranked NSUH-M's Cardiac Services Program among the nation's best in interventional cardiology.

NSUH-M along with LIJ has one of the best rates for successful cardiac care in New York State. A 2006 New York State Department of Health report shows that NSUH-M was one of only three hospitals in New York State to receive a double star ranking for angioplasty success rates during 2002-2004, even though it routinely performs the procedure on high-risk patients. The same report also showed that Dr. Jason Freeman, a cardiologist at NSUH-M, was one of six cardiologists receiving a double star rating for New York State's lowest mortality rate among cardiologists who perform angioplasty. The New York State Department of Health analyzed the risk-adjusted mortality rates for angioplasty from 2002 to 2004 (the latest three-year period for which data was available) for 48 hospitals and reviewed outcomes of 350 cardiologists statewide performing angioplasty. Double-star rankings are assigned to hospitals and physicians that have risk-adjusted mortality rates that, from a statistical standpoint, are significantly lower than the state average.

NSUH-M was the National Research Corporation 2004/2005 and 2005/2006 Consumer Choice Award winner and 2006/2007 co-winner for Nassau and Suffolk counties. The award identifies hospitals which healthcare consumers have chosen as having the highest quality and image in 180 markets throughout the U.S.

According to a New York State Department of Health study (published in 2006) of 44 state trauma centers, NSUH-M was among the top five facilities in New York State with patient survival rates for trauma care significantly better than the statewide average. The report looked at inpatient mortality and emergency department deaths following injuries from 1999 through 2002.

In 2002, NSUH-M received "Best Hospital" ranking from *AARP Modern Maturity*, topping a list of 50 metropolitan hospitals nationwide. In addition to receiving the top ranking as the best hospital overall, NSUH-M was selected as one of the top U.S. hospitals in the areas of cardiology, cardiovascular surgery and renal care.

Syosset Campus

In 2004, NSUH-S was the first hospital in New York State to be distinguished for service excellence under the J.D. Power Associates Distinguished Hospital Program. NSUH-S received the honor again in 2005 and 2006. This service excellence distinction was determined by surveying a random sample of recently discharged patients from the facility on their perceptions of their stay and comparing the results to the national benchmark established by J.D. Power and Associates. Syosset Hospital was also honored in December 2006 as a "Distinguished Emergency Department" by J.D. Power and Associates. The Hospital's Emergency Department performed above the norm in all five categories: speed and efficiency; dignity and respect; comfort; information and communication; and emotional support.

Specialized Services and Facilities

Manhasset Campus

As a major diagnostic and treatment center for acutely ill patients, NSUH-M provides a complete range of inpatient and outpatient services for adults and children in medical, psychiatric and dental services. The hospital also provides a number of highly specialized services, including extensive diagnostic and treatment programs. Some services are also provided at NSLIJ's Center for Advanced Medicine in Lake Success. The following describes some of these specialty services in addition to those highlighted in "Centralized Services, Common Objectives and Coordinated Clinical Leadership of the NSLIJ System, NSLIJ HCI and the Obligated Group Members":

- NSUH-M is a major cardiac diagnostic and open-heart center for adult patients. It has made significant breakthroughs in diagnostic techniques that aid physicians in identifying those patients at risk of dying from a second sudden heart attack. In 2005, NSUH-M purchased a 64-slice LightSpeed Volume CT, which enables doctors to capture three-dimensional images of a beating heart in just five heartbeats. The images produced by the CT give doctors a powerful tool for diagnosing heart disease.

- Between October 2005 and March 2006, four new cardiac catheterization labs were opened at NSUH-M, bringing the total number of catheterization labs at the hospital to nine.

- In the summer of 2005, NSUH-M installed a Novalis system to provide a state-of-the-art approach to stereotactic (computer-assisted three-dimensional targeting) radiosurgery and radiotherapy to treat benign and malignant tumors, vascular malformations, trigeminal neuralgia (a severe facial pain syndrome) and other neurologic conditions without harming surrounding tissue.

- NSUH-M has completed three of its four phase renovation and expansion project of its Emergency Room. The first three phases included the addition of isolation rooms, the creation of dedicated treatment rooms, an additional trauma room and a dedicated pediatric space within the emergency room. The last phase which will facilitate treating more patients on a timely basis includes renovation of the waiting room, triage and fast-track areas, a new façade for the front entrance and construction of an adjacent 11-12 bed observation unit. Phase four is expected to be completed in the spring of 2007.

- NSUH-M has a Chronic Renal Dialysis Center. As one of the first centers in the country to offer advanced ambulatory dialysis, it has grown from a small service to an extensive, comprehensive program that serves patients in a four-county area.

- In 2004, NSUH-M established a joint kidney transplant program with Mount Sinai Medical Center. Under the agreement, patients receive pre- and post-transplant care at NSUH-M and have their surgeries performed at Mount Sinai Hospital in Manhattan. In the first quarter of 2006, NSUH-M received approval from the New York State Department of Health to open a kidney transplant program to serve Nassau and Queens, the most populous region in the nation without one. NSUH-M has recruited a nationally prominent transplant surgeon and is proceeding with the final phase of its approval. The program is expected to be operational in the second half of 2007 once the United Network for Organ Sharing (UNOS) reviews and approves the credentials of the transplant team and the NYSDOH conducts an on-site survey. The transplant program will begin with 30 transplants and increase to 80 per year. NSUH-M will maintain a relationship with the Mt. Sinai transplant program as it also provides support for comprehensive pre-transplant evaluation and a referral system for liver transplant patients referred from North Shore-LIJ physicians.

- In 2004, NSUH-M opened the Chiari Center, the first ever free-standing center devoted to the treatment of Chiari Malformation, a brain condition and disorder of the spinal column and associated disorders.

- NSUH-M offers the largest cancer patient care, medical research and education network on Long Island, which includes the following: the 219-bed Don Monti Pavilion which is dedicated to the treatment of cancer patients; a designated leukemia unit; a 10-bed bone marrow transplant program; a radiation oncology department offering comprehensive radio-surgery treatment options and three linear accelerators for radiation therapy; a cancer hotline staffed by specialists who answer questions on the latest state-of-the-art clinical trials and services available through the NSLIJ System; a children's cancer center; genetic testing and counseling services; and cancer education and psychosocial support services. NSUH-M is designated by the American College of Surgeons' Commission on Cancer as a Teaching Hospital Cancer Program.

- NSUH-M has been designated a Viral Watch Center for the U.S. Centers for Disease Control and Prevention. It is also a designated center for the research and treatment for Acquired Immune Deficiency Syndrome ("AIDS").

- The New York State Department of Health has designated NSUH-M as a Regional Perinatal Center for the care of high-risk pregnant women and premature and sick newborns. It also has been designated as a Premature Transport Center for the transfer of sick infants to the hospital for specialized care.

- The Department of Psychiatry provides a full range of inpatient and outpatient services including: a walk-in clinic; day treatment programs; 24-hour emergency services; liaison psychiatry; child psychiatry including a child abuse program; a community psychiatry liaison with the geriatric population in nursing homes, senior citizen centers, and senior citizen housing; and a drug treatment center which provides ambulatory and inpatient detoxification, ambulatory rehabilitation, day treatment services, and individual, group, and family therapies.

- NSUH-M has a certified Neonatal Intensive Care Unit, a Pediatric Intensive Care Unit and a Dedicated Pediatric Emergency Center.

- NSUH-M is designated a Regional Trauma Center by the New York State Department of Health.

- NSUH-M has an extracorporeal shock wave lithotripter that provides an advanced technique for the treatment of patients with kidney stones.

- In 2004, NSUH-M opened a Neurology Interventional Radiology Suite with three-dimensional imaging capability.

- In 2004, NSUH-M opened three additional Operating Room Suites with an interoperative MRI and began use of the Da Vinci Surgical Robot to assist surgeons with an array of procedures.

- In June 2004, NSUH-M opened two new acute care units in CECR. These units house the Acute Geriatric Unit and the 29-bed Respiratory Care Unit. The geriatric unit, specially designed for the frail elderly, has 19 beds for acute care geriatric patients and eight beds for palliative care. The Respiratory Care Unit is for adult patients with confirmed or suspected diagnosis of a respiratory disorder, such as pneumonia, asthma, emphysema or chronic obstructive pulmonary disease, or for patients requiring mechanical ventilation.

- Additional services and facilities include: The Schwartz Ambulatory Surgery Center; The Levitt Diagnostic Center (housing more than 80 clinics for ambulatory patient care); The Goldman Ambulatory Care Center; The Schlanger Women's Center; a sleep disorders center; a drug treatment and education center; a Center for Colon and Rectal diseases; a state-of-the-art regional neonatal intensive care unit; and a comprehensive cardiothoracic surgery program which is consistently recognized by the New York State Department of Health as being one of the top five cardiac surgery programs in New York State.

- In late 2006, NSUH-M completed installation of its 3 Tesla MRI. This high-powered magnet affords the Radiology Department expanded imaging capability and is one of the first such MRIs installed in the Northeast.

- In the fall of 2006, NSUH-M received approval from the American Society for Bariatric Surgery's Surgical Review Corporation to be designated a Bariatric Surgery Center of Excellence, a designation that allows the hospital and its surgeons to receive Medicare reimbursement for operating on the morbidly obese. The designation, bestowed by the American Society for Bariatric Surgery's Surgical Review Corporation, confirms that North Shore University Hospital (NSUH) and its bariatric surgeons, have attained the levels of optimal performance required to ensure the best outcome for patients. NSUH is among a select group of about 210 hospitals throughout the United States to be recognized as a Bariatric Surgery Center of Excellence. NSUH is the only hospital in Nassau County with the distinction of having two surgeons certified by the American Society for Bariatric Surgery.

- The ninth floor of NSUH-M's Monti Tower is being renovated to create a 24-bed Medical/Surgical Unit comprised of private rooms. Each room will have its own family area to promote family-centered care. The unit will have decentralized nursing stations designed to increase interaction with patients and is being constructed utilizing the latest green materials to minimize the impact on the environment. The project is slated to be completed in the spring of 2007.

Syosset Campus

Since its acquisition by NSLIJ HCI, NSUH-S has been reconfigured for the provision of state-of-the-art minimally invasive and ambulatory surgical services with commensurate nursing unit and ancillary services. The state-of-the-art Center for Surgical Specialties focuses on ambulatory surgery or other surgeries requiring only a short-term hospital stay such as laparoscopy, endoscopy, laser, bariatric and other advanced procedures. NSUH-S has a full service 911 response Emergency Room which treats over 16,000 cases a year. Additional services and facilities include: a New York State-designated comprehensive stroke center; an ophthalmology surgery center; The North American Partners for Pain Management Center; a laparoscopic teaching center; a weight loss program, an 8-bed ICU unit and a brachytherapy service for prostate cancer. In 2005, NSUH-S opened a 15-bed telemetry unit, which serves as a Surgical Step-Down Unit.

Utilization Statistics for North Shore University Hospital (NSUH-M)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery)	47,471	48,721	49,352
Patient Days (excl. Nursery)	273,435	278,940	282,459
Average Length of Stay (in Days) (1)	5.76	5.73	5.72
Average Daily Census	747	764	774
Beds Available (2)	788	788	788
Percent of Occupancy (2)	97.7%	97.0%	98.2%
Normal Newborn Discharges (3)	5,107	4,837	4,663
Total Discharges	52,578	53,558	54,015
Outpatient			
Emergency Room Visits	37,539	38,875	38,849
Emergency Room Admissions	24,101	25,440	27,259
Total ER Encounters	61,640	64,315	66,108
Clinic Visits	84,010	85,396	85,600
Ambulatory Surgery Visits	17,893	18,160	18,847
Other Outpatient Visits (4)	160,088	156,201	163,005

(1) Decreased average length of stay reflects management initiatives.
(2) 57 beds from CECR added as of June 2004. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(3) Reduction of normal newborn volume reflects regional demographic trends.
(4) 2004 and 2005 restated to include Radiation Therapy and Interventional Radiology visits not previously reported and to conform with current year reporting methodology.
In the spring of 2006, NSUH-M moved outpatient chemotherapy services previously provided in the hospital to the Monter Cancer Center at the Center for Advanced Medicine at Ipark.
In July 2006, a 15,700-square-foot diagnostic imaging center specializing in outpatient services was opened.

Source: NSLIJ Finance Department

Utilization Statistics for North Shore University Hospital at Syosset (NSUH-S)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery)	4,155	4,379	4,456
Patient Days (excl. Nursery)	22,359	22,981	23,039
Average Length of Stay (in Days) (1)	5.38	5.25	5.17
Average Daily Census	61	63	63
Beds Available (2)	64	79	79
Percent of Occupancy (2)	95.5%	83.6%	79.9%
Normal Newborn Discharges	-	-	-
Total Discharges	4,155	4,379	4,456
Outpatient			
Emergency Room Visits (3)	11,500	12,461	13,277
Emergency Room Admissions	2,620	2,971	3,018
Total ER Encounters	14,120	15,432	16,295
Clinic Visits		-	-
Ambulatory Surgery Visits (4)	13,201	13,779	13,684
Other Outpatient Visits (5)	7,925	7,977	7,656

(1) Decreased average length of stay reflects management initiatives.
(2) Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period. average beds available for the report period. Decreased occupancy rate reflects addition of 15 telemetry beds as of April 2005.
(3) Increase in ER visits is due in part to closure of a nearby hospital.
(4) Increased ambulatory surgery volume in 2005 occurred primarily in Pain Management program due to a strong physician referral base that leveled off in 2006. Decreased Ambulatory Surgery volume in 2006 primarily due to migration of Otolaryngology and Ophthalmology cases to private offices.
(5) Decrease in other outpatient visits in 2006 due to decrease in CAT scan referrals.

Source: NSLIJ Finance Department

Employees

Manhasset Campus

NSUH-M has no collective bargaining agreements with any unions, and management considers its relations with its employees to be good.

Syosset Campus

NSUH-S has collective bargaining agreements with two unions: the New York State Nurses Association ("NYSNA"), and National Health and Human Services Employees Union SEIU, AFL-CIO Local 1199. NYSNA comprises 28% of NSUH-S' full-time equivalent employees, and NSUH-S Local 1199 comprises 42% of NSUH-S' full-time equivalent employees. NYSNA's contract expires March 31, 2008, and NSUH-S Local 1199's contracts expire April 30, 2008. Management considers its relations with its employees to be good.

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of NSUH for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

North Shore University Hospital
Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$942,014	$1,016,356	$1,049,512	$254,554	$263,653
Physician practice revenue	144,023	141,096	160,978	37,846	41,439
Other operating revenue	40,834	43,010	59,928	12,279	14,809
Net assets released from restrictions used for operations	41,101	35,915	32,620	9,350	6,310
Total operating revenue	1,167,972	1,236,377	1,303,038	314,029	326,211
Operating expenses:					
Salaries	506,782	534,392	558,961	132,023	144,705
Employee benefits	142,899	151,350	153,962	39,116	40,986
Supplies and expenses	352,002	394,255	417,040	98,950	103,775
Bad debt expense	35,635	41,582	41,090	9,867	11,523
Depreciation and amortization	50,408	49,062	48,969	12,753	12,466
Interest	14,552	15,237	19,431	4,695	4,711
Total operating expenses	1,102,278	1,185,878	1,239,453	297,404	318,166
Excess of operating revenue over operating expenses	65,694	50,499	63,585	16,625	8,045
Nonoperating gains:					
Contributions, net of fundraising expenses	-	3,298	42	40	10
Excess of revenue and gains over expenses	$65,694	$53,797	$63,627	$16,665	$8,055

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of an increase in bad debt expense ($9.3 million) that previously was included in physician practice revenue, a decrease in employee benefits ($5.4 million) for fringe benefit recoveries from affiliated organizations previously included in other operating revenue and a decrease in supplies and expenses ($1.9 million) for purchase discounts and rebates previously included in other operating revenue.

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($13.1 million) and employee benefits ($5.1 million) and an increase in supplies and expenses ($18.1 million) to conform to current year centralized administrative expense allocation methodologies.

Glen Cove Hospital

GCH is a not-for-profit, 265-certified bed, acute care, general hospital that has been meeting the healthcare needs of the residents of northern Nassau County on Long Island since its founding in 1922. It is situated approximately 30 miles east of Manhattan, in a suburban community, on a peninsula, in the northeast quadrant of Nassau County. The hospital meets the comprehensive healthcare needs of the community through a combination of intensive services, primary preventive care services, community outreach, and public health education programs.

Specialized Services and Facilities

Since 1990, GCH has been affiliated with NSUH. GCH is an acute care institution that offers inpatient services including medical/surgical, intensive and cardiac care, orthopedics, gynecology (obstetrics closed April 2004 with the service transitioned to PVH), pediatrics, and psychiatry. The 10 obstetrics beds were converted to med/surg beds. It has a specialty in orthopedics and rehabilitation. Diagnostic and therapeutic services are offered on both an inpatient and outpatient basis and include laboratory, a state-of-the art endoscopy suite, nuclear medicine, respiratory therapy, physical medicine and rehabilitation, and radiology, including diagnostic x-ray, mammography, computerized tomography (CT) scanning, sonography, and radiation therapy. In 2004, GCH completed renovation of its Emergency Department and opened the Wunsch Center for Rehabilitative Therapies. In 2007, upon Department of Health approval to begin construction, GCH will commence renovation of its critical care units (intensive care, coronary care and telemetry) to provide them with the latest technologies and expand the units' space.

GCH offers state-of-the-art inpatient and outpatient orthopedic rehabilitation services, including total joint replacement, spinal procedures, sports medicine, and inpatient neurological rehabilitation. GCH has established itself as a national and international center for orthopedic surgery and joint replacement. Through its International Surgeons Preceptorship Program, established in 2000, surgeons from around the world visit the hospital to observe state-of-the-art techniques for hip, knee and shoulder joint replacements during live surgery.

GCH also provides an array of outpatient services aimed at meeting the ongoing and ever changing needs of the community. These services include a New York State-designated comprehensive stroke center, an ambulatory surgery program, a primary care program, a comprehensive pre-admission testing program, a full service modern 24-hour emergency department, complete diagnostic outpatient services, and an outpatient substance abuse program. Additional facilities and services include: a Don Monti Cancer Center site, an outpatient oncology center (medical and radiation oncology), comprehensive perinatal services, an inpatient geriatric unit, comprehensive diagnostic and therapeutic cardiovascular services, and Community House, one of the oldest drug and alcohol diagnostic and treatment centers on Long Island.

Although GCH has been impacted by Medicare's phase-in of a reimbursement change for inpatient rehabilitation services known as the "75% rule", management has improved results from operations for fiscal 2006. Under this payment methodology, 75% of rehabilitation cases need to consist of 13 specific physical conditions in order for the "exempt unit" designation to remain in effect. Exempt unit designation allows for higher reimbursement for rehabilitation patients compared to traditional inpatient DRG payments. If a hospital fails to meet the 50% criteria for 2005, 60% criteria for 2006 or the threshold for subsequent years (the phase-in began in 2005 at 50% increasing to 75% by 2009), Medicare will re-compute the relevant year's rehabilitation cases at the lower DRG reimbursement at substantial loss to the hospital. In order to satisfy the criteria of the 75% rule, GCH had to redirect the care of many non-qualifying rehabilitation cases to lower reimbursement rate settings in GCH other than the exempt rehab unit. GCH satisfied the 50% requirement for 2005 and the 60% requirement for 2006. Management is aggressively pursuing additional referral sources from within as well as outside the NSLIJ System to meet future phase-in requirements.

Awards

In 2004, GCH received an Honorable Mention for the Healthcare Association of NYS Pinnacle Award for Quality Management.

Medical Education

Through its Family Medicine Residency Program, GCH has an affiliation with the School of Medicine, State University of New York at Stony Brook ("Stony Brook"). This relationship brings medical student educational opportunities to GCH that are integrated into the Family Medicine program. This 21-person residency is accredited by the Accreditation Council for Graduate Medical Education. Additionally, clinical fellows and residents from NSUH-M rotate through the hospital in the clinical areas of dentistry, neurology and physical medicine and rehabilitation.

GCH also has educational affiliations with a number of colleges and universities whose students utilize the hospital under supervision of faculty for clinical experience in nursing, social work, physical therapy, radiology, respiratory therapy, pharmacy and dietary services. Some of the affiliated schools include Adelphi University, Columbia University, Molloy College, Nassau Community College, St. John's University, SUNY Farmingdale, and New York University.

Utilization Statistics for Glen Cove Hospital (GCH)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery) (1)	10,118	10,242	10,070
Patient Days (excl. Nursery) (1)	74,498	77,158	75,369
Average Length of Stay (in Days) (2)	7.36	7.53	7.48
Average Daily Census (1)	204	211	206
Beds Available (3)	265	265	265
Percent of Occupancy (1) (3)	76.8%	79.8%	77.9%
Normal Newborn Discharges (4)	79	-	-
Total Discharges	10,197	10,242	10,070
Outpatient			
Emergency Room Visits	14,359	14,262	14,406
Emergency Room Admissions	6,092	6,051	5,890
Total ER Encounters	20,451	20,313	20,296
Clinic Visits (5)	43,064	41,977	41,332
Ambulatory Surgery Visits (6)	5,483	5,139	5,055
Other Outpatient Visits (7)	47,571	34,067	32,224

(1) Increased volume in 2005 due to management initiatives to improve rehabilitation referral base.
(2) Increased average length of stay in 2005 due to more relatively higher weighted neurological cases for short term acute rehabilitation. Decreased average length of stay in 2006 reflects management initiatives.
(3) Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(4) OB beds converted to Med/Surg and nursery unit closed in March 2004.
(5) Decreased volume in 2006 primarily due to downsizing the methadone substance abuse drug treatment program for cost savings.
(6) Ambulatory Surgery visits decreased in 2005 primarily due to changes in reimbursement that encourage the shift of endoscopies and other procedures to physician offices.
(7) Decrease related to private ambulatory activity, including lab work outsourced to the NS-LIJ core lab.

Source: NSLIJ Finance Department

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of GCH for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Glen Cove Hospital

Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$130,954	$135,115	$141,611	$35,894	$36,543
Physician practice revenue	-	-	-	-	-
Other operating revenue	8,926	7,073	8,437	1,477	1,957
Net assets released from restrictions used for operations	-	15	-	-	-
Total operating revenue	139,880	142,203	150,048	37,371	38,500
Operating expenses:					
Salaries	61,428	64,298	67,018	16,282	16,982
Employee benefits	17,644	18,671	19,964	4,847	4,807
Supplies and expenses	42,071	47,453	53,954	12,589	12,199
Bad debt expense	7,514	6,051	3,098	1,623	1,929
Depreciation and amortization	5,214	5,380	5,076	1,276	1,267
Interest	1,571	1,472	1,308	361	278
Total operating expenses	135,442	143,325	150,418	36,978	37,462
Excess (deficiency) of operating revenue over operating expenses	4,438	(1,122)	(370)	393	1,038
Nonoperating gains:					
Contributions, net of fundraising expenses	-	9	-	-	-
Excess (deficiency) of revenue and gains over expenses	$4,438	($1,113)	($370)	$393	$1,038

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of a decrease in employee benefits ($0.07 million) for fringe benefit recoveries from affiliated organizations previously included in other operating revenue and a decrease in supplies and expenses ($0.2 million) for purchase discounts and rebates previously included in other operating revenue.

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($1.2 million) and employee benefits ($0.5 million) and an increase in supplies and expenses ($1.7 million) to conform to current year centralized administrative expense allocation methodologies.

Employees

NSUH-GC has no collective bargaining agreements with any unions and management considers its relations with its employees to be good.

Plainview Hospital

Introduction

In December 1994, NSLIJ HCI acquired Central General Hospital, a proprietary hospital, and reorganized it as a not-for-profit institution. PVH is a 232-certified bed community hospital, which has served communities in eastern and central Nassau and western Suffolk Counties, New York for 40 years.

Specialized Services and Facilities

- 24-hour emergency service. In 2006, PVH constructed a new fast track area to expedite sprains, fractures, and suture requirements so as to accommodate the increased ER volume from the closing of Brunswick Hospital Center's Emergency Room. PVH's Emergency Department volume continues to grow annually.
- An MRI was installed in 2005, making PVH the only community hospital in the area with an MRI.
- The diagnosis and treatment of heart disease, including an innovative program of early heart attack care (EHAC) with a recently expanded and enhanced chest pain emergency room. The Emergency Department has been selected as a site for an international study that examines excellence in treating chest pain patients.
- A broad range of maternal and child health services, including state of the art facilities such as labor, delivery, recovery and post-partum services and pediatric care, as well as on site 24/7 neonatology coverage, and the recent certification as a Level 2 Perinatal Service.
- The diagnosis and treatment of cancer as a designated Community Cancer Program by the American College of Surgeons Commission on Cancer.
- State-of-the-art surgical services including, pre-surgical testing, a dedicated ambulatory surgery program which returns patients to the community shortly after surgery, and expanded and refurbished operating room suites.
- The diagnosis and treatment of pulmonary disease with special attention to patient education involving asthma and chronic lung disease. The Emergency Department has been equipped with the latest technology for inhalant medication administration for the treatment of asthmatics and patients suffering from severe respiratory failure.
- State-of-the-art Cardiac Diagnostic Services.
- A 21-bed Intensive Care Unit.
- A new Interventional Radiology Suite was opened, which centralized services and provides enhanced technology and patient comfort.
- PVH is in the process of developing a Wound Care and Hyperbaric Facility.

Medical Education

PVH has an accredited training program in Family Medicine in association with the New York College of Osteopathic Medicine. This American Osteopathic Association approved residency has over 35 resident physicians enrolled in family medicine and musculoskeletal training programs. PVH has a teaching faculty of both voluntary and full-time physicians and is benefiting from its role as a newly established teaching institution. Additionally, PVH has an accredited training program in Podiatry and is affiliated with the New York College of Podiatry for academic oversight. It also has a 2-year Neuromuscular Manipulative Medicine Residency program.

Allied Health Education

PVH departments host student interns from ten colleges for the clinical experience portion of their education. As a community service, the students receive instruction from the departmental staff of the following departments: Dietary, Medical Records, Nursing, Physical Therapy, Respiratory Therapy, Social Work Services, and Chemical Dependency Detox Program.

Utilization Statistics for Plainview Hospital (PVH)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery) (1)	12,960	13,623	13,524
Patient Days (excl. Nursery) (2)	72,731	74,986	72,829
Average Length of Stay (in Days) (2)	5.61	5.50	5.39
Average Daily Census	199	205	200
Beds Available (3)	211	211	211
Percent of Occupancy (3)	94.2%	97.4%	94.6%
Normal Newborn Discharges (1)	1,117	1,677	1,538
Total Discharges (1)	14,077	15,300	15,062
Outpatient			
Emergency Room Visits (4)	21,386	21,951	23,087
Emergency Room Admissions	10,142	10,445	10,640
Total ER Encounters (4)	31,528	32,396	33,727
Clinic Visits		-	-
Ambulatory Surgery Visits (5)	6,432	5,665	5,493
Other Outpatient Visits (6)	10,564	11,115	10,698

(1) Increased volume in 2005 primarily due to the closure of a nearby hospital's maternity service.
(2) Decreases in patient days and average length of stay in 2006 reflect management initiatives.
(3) Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(4) Increase in ER visits is due in part to closure of a nearby hospital.
(5) Ambulatory Surgery visits decreased in 2005 primarily due to changes in reimbursement that encourage the shift of endoscopies and other procedures to physician offices.
(6) Increased Private Ambulatory Visits in 2005 due primarily to addition of MRI in February 2005.

Source: NSLIJ Finance Department

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of PVH for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Plainview Hospital

Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$125,240	$132,383	$133,786	$33,237	$35,972
Physician practice revenue	-	-	-	-	254
Other operating revenue	5,877	6,004	6,771	1,621	1,731
Net assets released from restrictions used for operations	-	50	-	-	-
Total operating revenue	131,117	138,437	140,557	34,858	37,957
Operating expenses:					
Salaries	64,836	68,643	70,607	17,724	18,141
Employee benefits	16,797	18,437	19,242	4,947	5,035
Supplies and expenses	38,997	43,610	43,289	10,937	11,883
Bad debt expense	4,862	4,228	4,525	1,073	1,255
Depreciation and amortization	5,658	4,973	4,772	1,281	1,277
Interest	1,449	1,453	1,444	369	364
Total operating expenses	132,599	141,344	143,879	36,331	37,955
Excess (deficiency) of operating revenue over operating expenses	(1,482)	(2,907)	(3,322)	(1,473)	2
Nonoperating gains:					
Contributions, net of fundraising expenses	-	605	5	-	-
Excess (deficiency) of revenue and gains over expenses	($1,482)	($2,302)	($3,317)	($1,473)	$2

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of a decrease in supplies and expenses ($0.2 million) for purchase discounts and rebates previously included in other operating revenue.

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($1.0 million) and employee benefits ($0.4 million) and an increase in supplies and expenses ($1.4 million) to conform to current year centralized administrative expense allocation methodologies.

Employees

PVH has collective bargaining agreements with the New York State Nurses Association ("NYSNA") and Local 1199 ("PVH Local 1199"). NYSNA comprises 23% of PVH's full-time equivalent employees, and PVH Local 1199 comprises 51% of PVH's full-time equivalent employees. NYSNA's contract expires March 31, 2008, and PVH Local 1199's contract expires April 30, 2008. Management considers its relations with its employees to be good.

Forest Hills Hospital

Introduction

FHH, a not-for-profit, 312-certified bed community hospital, is located at a single site in the residential Forest Hills neighborhood of Queens County, New York.

Management has implemented several measures to improve FHH's operations since its acquisition by NSLIJ HCI. In order to reduce costs, FHH is utilizing materials management and food services of LIJMC, an NSLIJ HCI member in Queens. In order to gain recognition as a comprehensive, quality, full service community-based hospital, management has been focusing on facility modernization, program enhancement, patient safety and quality improvement, and community medical staff recruitment from the entire core service area of Forest Hills, Kew Gardens, Rego Park, Corona, Jackson Heights, and parts of Jamaica and Flushing. NSLIJ has invested in significant renovations to the physical plant that had been in poor condition when NSLIJ HCI acquired FHH.

As a result of the modernization, physician recruitment, and the development of new clinical services, FHH is gradually broadening its payor mix and physician mix to include many non-HIP patients and physicians. Management believes that the modernized facility is attracting new physicians who, in turn, are attracting new patients. The executive director is focusing on continuing to build new relationships with physicians and community leaders and other social and human service organizations to increase the community's awareness of the hospital's clinical innovations. FHH is also becoming a strong community partner (hospital and employer), which management believes will increase patient volume. Many outreach programs to the Asian, Spanish and Russian speaking communities have been established. The hospital is recruiting physicians who speak Russian and Spanish. The executive director has also undertaken to insure that facility modernization efforts keep pace with physician demand for renovated facilities and new technology to achieve the hospital's mission to be the healthcare provider of choice for the core service area.

FHH is determined to attract the best medical staff, nurses, and technical staff to assure the public of its commitment to a vast array of the highest quality clinical programs. Since April 2001, new medical leadership has been brought to the Departments of Medicine, Surgery, OB/GYN, Urology, Gastroenterology, Cardiology, Intensive Care, Radiology, the Orthopedic Center of Excellence, and Hematology/Oncology. A new medical director, who is a leader in the community, was recruited in 2003 from a competitor hospital. New technical and nursing staff with specialized competencies in emergency medicine, surgery, dialysis, intensive care, and cardiology have been recruited in order to insure that sufficient numbers of staff with appropriate competencies are available as clinical programs have expanded. In 2006 and 2007, FHH hired two physicians from a competitor, which has been marked for shutdown and granted admitting privileges to 15 doctors from this competitor.

Additional initiatives include:

- Building on FHH's existing strength in orthopedics by creating a "hospital within the hospital" to bring together patients, surgeons, nurses, physical therapists, and others to provide specialty care within the framework of a community hospital;
- Reducing Length of Stay;
- Implementing a palliative care program;
- Increasing supply chain savings;
- Developing with Schneider Children's Hospital a pediatric urgent care center;
- Continuing to develop a referral relationship with a nearby Article 28 Diagnostic and Treatment Center; and
- Expanding its wound care program to include hyperbaric oxygen therapy.

Specialized Services and Facilities:

- Recent upgrades to FHH facilities have included a new state-of-the-art emergency department, renovated medical/surgical patient rooms, and a state-of-the-art radiology department, which now includes interventional radiology and stereotactic breast biopsy.
- FHH provides inpatient services in medical and surgical care, intensive care, and gynecology/obstetrical care with a modernized obstetrics and labor and delivery suite. The hospital is designated as a Level 2 perinatal service and provides 24/7 neonatology coverage.
- The hospital has initiated an active Physician Assistant department working in general and orthopedic surgery, OB/GYN, radiology, urology and vascular surgery.
- The Emergency Department is a designated "Heart Station" and participates in the New York City 911 Emergency Medical Program. In addition, the Hospital has been designated as a NYS Approved Stroke Center. In the spring of 2006, the Emergency Department added a Fast Track system to care for patients with less serious problems.
- FHH's expanded surgical services include: a new bloodless surgery program, bariatric surgery, vascular surgery including endovascular stent-grafting for the repair of aneurysms and clogged carotid arteries, laparoscopic surgery, breast surgery, pediatric orthopedic surgery, and spine surgery. The hospital has a podiatry residency training program and offers podiatric surgery. During 2005, FHH added the "lap band" procedure in addition to the gastric bypass procedure for bariatric surgery.
- FHH has opened a new Orthopedic Center of Excellence which includes a full spectrum of joint replacement procedures, as well as related physical therapy, patient support groups, informational seminars and care coordination.
- A lithotripsy program and brachytherapy program for prostrate cancer.
- FHH has instituted a house calls program for the homebound elderly and is expanding this program to Spanish and Russian speaking patients.
- FHH offers a newly developed Adult Primary Care Clinic as well as specialty clinics in general surgery, podiatry, and Women's health. Under special arrangement with the NYS Department of Health, the hospital operates a growing prenatal clinic. Women treated in this Prenatal Care Assistance Program (PCAP) deliver in FHH's Women's New Life Center.
- FHH installed a dual headed nuclear camera for its Cardiology Program in 2006.
- FHH has an MRI.
- The Hospital utilized a federal grant administered by the City of New York to provide outreach to the elderly in its service area who might have been impacted by 2001 terrorist activities and in the process, made the community more aware of the hospital and its services.

- FHH is a partner with the American Cancer Society and the NYS Department of Health in providing free mammograms, pelvic exams, and follow-up tests to uninsured women. The Hospital is approved as a Community Cancer Hospital by the American College of Surgeons.
- In early 2006, FHH opened the Wound Healing Center at FHH to provide patients with a team approach to treat chronic, non-healing wounds.

Medical Education

FHH operates a three year accredited residency training program in Internal Medicine for 38 residents and a two-year Podiatry residency for six residents plus two fellows and participates in the North Shore-LIJ Health System Education Consortium. FHH has a special relationship with New York College of Osteopathic Medicine for clinical training of osteopathic medical students with students participating in required and elective rotations during their third and fourth years. Additionally, FHH, in cooperation with NSUH-M, is an active participant in the post-graduate education of all staff physicians. FHH also collaborates with other colleges and universities in training for nurses, physical therapists, social workers, and physician assistants.

Utilization Statistics for Forest Hills Hospital (FHH)

Inpatient	For the 12 Month Period Ended December 31, 2004	2005	2006
Discharges (excl. Nursery)	12,985	13,489	13,667
Patient Days (excl. Nursery)	70,771	73,369	73,142
Average Length of Stay (in Days) (1)	5.45	5.44	5.35
Average Daily Census	193	201	200
Beds Available (2)	213	213	208
Percent of Occupancy (2)	90.8%	94.4%	94.4%
Normal Newborn Discharges	1,826	1,884	1,933
Total Discharges	14,811	15,373	15,600
Outpatient			
Emergency Room Visits	19,032	19,415	19,374
Emergency Room Admissions	9,594	9,934	10,240
Total ER Encounters	28,626	29,349	29,614
Clinic Visits (3)	5,646	7,248	7,537
Ambulatory Surgery Visits (4)	5,701	5,186	5,394
Other Outpatient Visits (5)	12,066	12,904	13,018

(1) Decreased average length of stay reflects management initiatives.
(2) Five Med/Surg beds taken out of service in November 2006. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(3) Increased clinic volume for OB and HIV related services as a result of community outreach initiatives.
(4) Ambulatory Surgery visits decreased in 2005 primarily due to changes in reimbursement that encourage the shift of endoscopies and other procedures to physician offices. Increased ambulatory surgery in 2006 due to recruitment of a urologist and increased endoscopy referrals.
(5) Increase in 2005 primarily due to Private Ambulatory CT procedures and Pre-Surgical Testing for inpatient surgeries.

Source: NSLIJ Finance Department

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of FHH for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Forest Hills Hospital

Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$121,924	$131,575	$138,588	$33,789	$35,743
Physician practice revenue	-	-	-	-	-
Other operating revenue	1,510	2,187	2,010	693	443
Net assets released from restrictions used for operations	-	-	-	-	-
Total operating revenue	123,434	133,762	140,598	34,482	36,186
Operating expenses:					
Salaries	53,041	59,247	60,698	14,997	15,893
Employee benefits	15,994	17,574	18,812	4,727	5,098
Supplies and expenses	38,973	42,252	43,863	11,120	11,961
Bad debt expense	4,769	7,076	12,314	1,704	2,042
Depreciation and amortization	6,619	6,109	5,805	1,640	1,440
Interest	2,374	2,286	2,282	576	557
Total operating expenses	121,770	134,544	143,774	34,764	36,991
Excess (deficiency) of operating revenue over operating expenses	1,664	(782)	(3,176)	(282)	(805)
Nonoperating gains:					
Contributions, net of fundraising expenses	-	90	19	19	-
Excess (deficiency) of revenue and gains over expenses	$1,664	($692)	($3,157)	($263)	($805)

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain December 31, 2004 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the December 31, 2005 presentation. Such reclassifications consist of a decrease in employee benefits ($0.2 million) for fringe benefit recoveries from affiliated organizations previously included in other operating revenue and a decrease in supplies and expenses ($0.07 million) for purchase discounts and rebates previously included in other operating revenue.

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($1.0 million) and employee benefits ($0.4 million) and an increase in supplies and expenses ($1.4 million) to conform to current year centralized administrative expense allocation methodologies.

Employees

FHH has collective bargaining agreements with two unions: 1) Service Employees International Union's United Healthcare Workers East (National 1199) AFL-CIO Local 1199 (the RNs' Unit, the Guild

Division, Professionals' Unit and Local 144 Division) ("FHH Local 1199") and 2) Local 94-94A/Local 1456. FHH Local 1199 represents 79% of FHH's full-time equivalent employees. The contract expires September 30, 2011. The contract of Local 94-94A/Local 1456, which covers less than 2% of FHH's full-time equivalent employees, expires on December 31, 2008. Management considers its relations with its employees to be good.

North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation

Introduction

CECR is a residential healthcare facility located on the campus of NSUH in Manhasset, New York. According to *Long Island Business News – 2006 Book of Lists*, CECR is the 19th largest nursing home by number of beds in Nassau and Suffolk Counties, New York. CECR began operations in 1989. CECR is certified for 256 skilled nursing facility ("SNF") beds. In 2004, space previously occupied by 65 SNF beds was temporarily converted to 57 beds and leased to NSUH-M for an Acute Geriatric Unit and Respiratory Care Unit.

The facility serves patients who need skilled nursing and rehabilitation services, but whose medical conditions do not require the levels of care provided by a hospital. Staffed by specialists in geriatric medicine and rehabilitation, CECR is particularly designed to meet the medical and therapeutic needs of older patients. It has memberships in the American Association of Homes and Services for the Aging, the New York Association of Homes and Services for the Aging and the Greater New York Hospital Association.

Awards

CECR remains in full regulatory compliance from the New York State Department of Health. It has also been given a five out of five-star rating by Healthgrades, Inc. and a AAA rating from Care Scout. It is on the national nursing home honor roll.

Specialized Services and Facilities

CECR has developed a short-term restorative rehabilitation program comprised of 105 dedicated sub-acute care beds for rehabilitation of medically complex care patients including a comprehensive post-acute inpatient neuro-rehabilitation program for individuals with neurological injuries, including traumatic brains injuries (TBIs), stroke and brain tumors. The remainder of CECR's bed complement serves long-term care, short-term intravenous care and palliative care. The facility maintains five full-time physicians, a full-time medical director, and four geriatric internal medicine fellows on staff. Based upon this strong medical orientation, CECR has the ability to care for the medically complex resident.

CECR has two research activities: a Fracture Prevention program and a Pain Management Research initiative. It also has a Palliative Care/End-of-Life Care program.

Of the population discharged from CECR, nearly 85% percent require home healthcare services. RegionCare, Inc., a wholly owned subsidiary of NSLIJ HCI, and NSUH's Certified Home Healthcare Agency provide approximately 72% of the services required by this population.

Utilization Statistics for North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation (CECR)

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery) (1)	1,132	1,472	1,629
Patient Days (excl. Nursery)	68,757	68,712	68,532
Average Length of Stay (in Days) (2)	60.74	46.68	42.07
Average Daily Census	188	188	188
Beds Available (3)	191	191	191
Percent of Occupancy (3)	98.4%	98.6%	98.3%
Total Discharges	1,132	1,472	1,629

(1) The increase in discharges in 2005 is due to higher throughput made possible from decreased average length of stay.
(2) The decreased average length of stay is primarily due to a shift from long term care to higher weight rehabilitation services.
(3) Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.

Source: NSLIJ Finance Department

Summary of Historical Revenues and Expenses

The following "Summary of Historical Revenues and Expenses" of CECR for the years ended December 31, 2004, 2005 and 2006 has been derived from the audited combined financial statements of the North Shore-Long Island Jewish Obligated Group. The financial data for the three-month periods ended March 31, 2006 and 2007 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the results of operations for these periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the audited combined financial statements, related notes, and other financial information included as Appendix B to this Official Statement and "North Shore-Long Island Jewish Obligated Group Management's Discussion and Analysis" herein including the combining schedules which are presented for supplementary informational purposes. Due to the effects of inter-company transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

North Shore University Hospital Stern Family Center for Extended Care

Summary of Historical Revenue and Expenses

(In Thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2004	**2005**	**2006**	**2006**	**2007**
Operating revenue:					
Net patient service revenue - hospital and nursing facilities	$23,411	$24,809	$27,766	$6,461	$7,031
Physician practice revenue	-	-	-	-	-
Other operating revenue	4,241	4,478	5,152	1,156	1,255
Net assets released from restrictions used for operations	-	-	-	-	-
Total operating revenue	27,652	29,287	32,918	7,617	8,286
Operating expenses:					
Salaries	15,974	17,076	18,090	4,418	4,918
Employee benefits	4,189	4,669	4,671	1,160	1,227
Supplies and expenses	5,252	5,438	6,260	1,497	1,553
Bad debt expense	204	161	1,491	43	49
Depreciation and amortization	1,097	1,020	1,044	275	300
Interest	754	733	703	174	166
Total operating expenses	27,470	29,097	32,259	7,567	8,213
Excess of operating revenue over operating expenses	182	190	659	50	73
Nonoperating gains:					
Contributions, net of fundraising expenses	-	-	-	-	1
Excess of revenue and gains over expenses	$182	$190	$659	$50	$74

Source: Audited Financial Statements and NSLIJ HCI Finance Department

Certain 2005 amounts in the summary of historical revenue and expenses have been reclassified from amounts previously reported to conform to the 2006 presentation. Such reclassifications consist of decreases in salaries ($0.07 million) and employee benefits ($0.03 million) and an increase in supplies and expenses ($0.1 million) to conform to current year centralized administrative expense allocation methodologies.

Employees

CECR has no collective bargaining agreements with any unions and management considers its relations with its employees to be good.

OTHER NSLIJ COMMONLY MANAGED HOSPITALS (See "Hospital Affiliates-*Other Commonly Managed Hospitals* ", "Philanthropy" and "Management's Discussion and Analysis" herein.)

Franklin Hospital

FRANKLIN IS NOT A MEMBER OF THE OBLIGATED GROUP AND, THEREFORE, IS NEITHER OBLIGATED UNDER THE MASTER INDENTURE NOR RESPONSIBLE FOR THE PAYMENT OF THE DEBT SERVICE ON THE SERIES 2007 BONDS.

General

Franklin, a not-for-profit community hospital, has 305-certified beds. Franklin offers a wide range of acute inpatient and outpatient services including emergency services, ambulatory surgery, adult day health care, a skilled nursing facility, and is associated with a medical school. Franklin provides care to patients primarily from southwestern Nassau County and southeastern Queens County.

Franklin became a commonly managed, rather than a sponsored, institution in September 2002.

Turnaround Plan

Franklin's turnaround plan continues to focus on the following key areas:

- Continuing efforts are underway (i) to develop relationships with new physicians and to educate existing physicians regarding the benefits of the improved quality measures and standardized processes NSLIJ HCI has put in place; (ii) to reach out to the Five Towns and Queens communities (particularly southeast Queens); (iii) to decrease Franklin's reliance on outside (agency) staff through the hiring of permanent staff, where appropriate; (iv) to enhance training and competency of staff; (v) to improve overall patient satisfaction; and (vi) to develop new programs to better meet the needs of the community.

- Franklin is pursuing enhanced financial accountability at the departmental level and improved operational efficiencies in core business processes, such as patient registration/financial screening, charge capture, professional billing and human resources (payroll, position control, employee transactions, and labor management).

- Franklin is further developing a patient care system to maximize quality and reduce excess patient days. This is expected to be accomplished by multidisciplinary patient care rounds and a comprehensive utilization management plan focused on implementing a caremap methodology and reducing third party denials.

- Franklin's management has dedicated their focus towards providing programs and services that best meet the needs of the community. Programs such as Geriatric Medicine, Orthopedics, Spine, and Pain Management have been added and enhanced while programs such as Obstetrics and Pediatric have been directed to other NSLIJ HCI hospitals. Franklin hired in 2006 a new orthopedic surgical group with a large successful practice in the greater New York area. Franklin also opened in August 2006 a state-of-the-art wound care center.

Awards

In 2004 and again in 2005, Franklin Hospital received a Compass Award for outstanding patient satisfaction performance improvement from Press-Ganey Associates, Inc., the health care industry's leading independent researcher of patient satisfaction measurement and improvement services. In both years, it was the only hospital in New York to receive the award.

Employees

Approximately 80% of the hospital is unionized. The environmental services department is represented by 32BJ, whose contract expires in May 2009. Nurses are represented by New York State Nursing Association ("NYSNA"). This contract will expire in December 2007. Non-nursing employees are represented by Local 1199 whose contract expires in April 2008. Management considers its relations with its employees to be good.

Utilization Statistics for Franklin Hospital

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery) (1)	10,848	10,578	10,425
Patient Days (excl. Nursery) (1)	74,562	71,387	70,029
Average Length of Stay (in Days) (2)	6.87	6.75	6.72
Average Daily Census (1)	204	196	192
Beds Available (3)	241	220	236
Percent of Occupancy (3)	85.1%	84.2%	81.8%
Normal Newborn Discharges (1)	494	211	-
Total Discharges (1)	11,342	10,789	10,425
Outpatient			
Emergency Room Visits	24,134	24,197	25,718
Emergency Room Admissions	8,938	9,082	9,121
Total ER Encounters	33,072	33,279	34,839
Clinic Visits (4)	6,295	5,703	2,511
Ambulatory Surgery Visits (5)	3,539	3,462	4,103
Other Outpatient Visits (6)	10,107	8,966	8,863

(1) Inpatient obstetrics and newborn services closed in June 2005.
(2) Decreased average length of stay reflects management initiatives.
(3) Changes in bed complement due to renovations of nursing units from 2004 through 2006 which were completed in 2006. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(4) Clinic services were terminated in mid-2006.
(5) Ambulatory Surgery increase in 2006 due to the addition of an orthopedic surgical group.
(6) Decreased private ambulatory services for radiology and obstetric related services.

Source: NSLIJ HCI Finance Department

Utilization Statistics for Orzac Extended Care and Rehabilitation Division

Inpatient	For the 12 Month Period Ended December 31, 2004	2005	2006
Discharges (excl. Nursery) (1)	690	768	906
Patient Days (excl. Nursery)	42,766	42,788	42,457
Average Length of Stay (in Days) (1)	61.98	55.71	46.86
Average Daily Census	117	117	116
Beds Available (2)	120	120	120
Percent of Occupancy (2)	97.4%	97.7%	96.9%
Total Discharges	690	768	835

(1) Increased discharges and decreased average length of stay reflect management initiatives.
(2) Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.

Source: NSLIJ Finance Department

Franklin Hospital Medical Center
Summary of Historical Revenues and Expenses
Years ended December 31
(In Thousands)

	2004	2005	2006
Operating revenue:			
Net patient service revenue--hospital and nursing facilities	$130,123	$137,064	$144,034
Physician practice revenue	-	-	-
Other operating revenue	6,553	6,751	3,933
Net assets released from restrictions used for operations	-	-	-
Total operating revenue	136,676	143,815	147,967
Operating expenses:			
Salaries	70,337	72,033	71,874
Employee benefits	15,193	17,046	18,880
Supplies and expenses	45,342	48,960	51,013
Bad debt expense	6,496	5,683	9,928
Depreciation and amortization	4,261	4,427	4,254
Interest	1,738	1,703	1,459
Total operating expenses	143,367	149,852	157,408
Deficiency of operating revenue over operating expenses	(6,691)	(6,037)	(9,441)
Nonoperating gains:			
Contributions, net of fundraising expenses	-	17	11
Deficiency of revenue and gains over expenses	(6,691)	(6,020)	(9,430)

Source: NSLIJ HCI Finance Department. (For the years ended December 31, 2004, 2005 and 2006, the financial statements of Franklin were included in the audited consolidated financial statements of NSLIJ, but were not audited separately).

Southside Hospital

SOUTHSIDE IS NOT A MEMBER OF THE OBLIGATED GROUP AND, THEREFORE, IS NEITHER OBLIGATED UNDER THE MASTER INDENTURE NOR RESPONSIBLE FOR THE PAYMENT OF THE DEBT SERVICE ON THE SERIES 2007 BONDS.

General

Southside, a not-for-profit community hospital, has 361 certified beds. Southside offers a wide range of acute inpatient and outpatient services including cardiology, medicine, neuroscience, orthopedics, emergency medicine, surgery including ambulatory surgery, obstetrics, gynecology, women's health, pediatrics, mental health, physical medicine and rehabilitation. The hospital operates a New York State designated Stroke Center, (which opened in 2005), a Regional Center for Brain Injury Rehabilitation, and the Frank Gulden Radiation Oncology Center.

Prior Financial Commitments by North Shore-Long Island Jewish Health Care, Inc. ("NSLIJ HCI") and the North Shore-Long Island Jewish Health System Foundation

Pursuant to the sponsorship agreement, NSLIJ HCI conditionally pledged to give $10 million to benefit Southside's outpatient and ambulatory care initiatives, a pledge which is being fulfilled by the North Shore-Long Island Jewish Health System Foundation (an affiliate which is not a Member of the Obligated Group) (the "Foundation Arrangement for Southside"). See "Philanthropy" and "Management's Discussion and Analysis" herein.

In 1998, the Authority issued a series of bonds, in the principal amount of approximately $55 million (the "Southside Bonds"), for the benefit of Southside. The Southside Bonds are payable from amounts to be paid by Southside under a Loan Agreement between Southside and the Authority, are insured by MBIA Insurance Corporation ("MBIA"), and are also secured by a New York State service contract under the New York State Secured Hospital Bond Program (the "NYS Service Contract"). In connection with the issuance of the Southside Bonds, NSLIJ HCI agreed with the New York State Department of Health ("DOH") that NSLIJ HCI would guaranty four years of debt service on the Southside Bonds (which debt service averages approximately $4.3 million annually from 2005-2007 and $3.4 million annually from 2008-2025) for as long as the Southside Bonds are supported by the NYS Service Contract (the "Southside Guaranty"). NSLIJ HCI further agreed that it would take action that would allow the NYS Service Contract guarantee to be cancelled. DOH and NSLIJ HCI have been in discussions about this agreement, which may be amended by the agreement of the parties thereto and without the approval of the holders of the Southside Bonds.

In order for the NYS Service Contract to be cancelled, one of several actions may be taken: (a) the Southside Bonds may be refinanced; or (b) MBIA has indicated that the NYS Service Contract may be tendered for cancellation, leaving MBIA as the sole guarantor of such Bonds, provided the Authority and MBIA have confirmed that one of the following conditions has occurred: (i) the realization by Southside of certain operating and capitalization ratios and compliance with certain financial covenants; (ii) the addition of Southside as a Member of the Obligated Group; or (iii) the delegation by Southside to NSLIJ HCI of specific authority for the financial management and support of Southside. See "Management's Discussion and Analysis" herein.

Turnaround Plan

Southside became a commonly managed rather than a sponsored institution, in September 2005 to enable NSLIJ HCI to endeavor to effect a turnaround. Southside's administrative services such as Planning, Finance and Information Technology were centralized and combined with those of NSLIJ HCI and the other commonly managed institutions. Also, changes were made to Southside's administrative and clinical leadership including but not limited to Executive Director, Associate Executive Directors of Nursing, Administration and Finance, Medical Director and Clinical Department Directors.

Clinical program opportunities have been pursued, and Southside will reduce or eliminate services that have a negative margin and expand programs such as Cardiology, Radiation Oncology, Neurosurgery, Radiology, Pain Management, Orthopedics and Surgery. Southside has recently established an Institute of Neuroscience, which is a member of the Harvey Cushing Institutes of Neuroscience at NSLIJ. Southside opened a second cardiac cath lab, which is a temporary mobile cath lab, in June 2005. In the summer of 2006, Southside was designated the first community hospital in Suffolk County – and one of only five in New York State – to perform angioplasty on an elective (for non-emergency) basis without an open heart surgical program by the New York State Department of Health. This program became operational in October 2006 and has significantly increased interventional cardiology and diagnostic catheterization volume. In February 2007, construction was completed and a survey by the New York State Department of Health conducted for two replacement cardiac catheterization laboratories as part of an expanded cardiac services suite, which includes recovery and support spaces. Southside is awaiting final approvals for permission to begin utilizing the suite. Once utilization of the new suite commences, the temporary mobile cath lab will be closed.

Operational efficiencies have been implemented reducing expenses and/or increasing revenues through length of stay reductions, revenue cycle improvements, personnel and non-personnel expense reductions, and volume increases.

Awards

According to a 2005 survey published in *New York* magazine, June 19, 2006, "Best Doctors in New York" issue, Southside has a doctor specializing in Family Medicine recognized as being at the top of his field in the New York area.

A 2006 New York State Department of Health report showed that the director of Southside's cardiac catheterization labs, who performs angioplasty at both Southside and NSUH-M, was one of six cardiologists receiving a double star rating for New York State's lowest mortality rate among cardiologists who perform angioplasty. In this same report, Southside Hospital ranked fourth in New York State for risk-adjusted in-hospital mortality rates for emergency angioplasty from 2002-2004. The New York State Department of Health analyzed the risk-adjusted mortality rates for angioplasty rates from 2002 to 2004 (the latest three-year period for which data was available) for 48 hospitals and reviewed outcomes of 350 cardiologists statewide performing angioplasty. Double-star rankings are assigned to hospitals and physicians that have risk-adjusted mortality rates that, from a statistical standpoint, are significantly lower than the state average.

Medical Education

Through its Family Medicine Residency Program, Southside has an affiliation with the School of Medicine, State University of New York at Stony Brook ("Stony Brook"). This relationship brings medical student educational opportunities to Southside that are integrated into the Family Medicine program.

Employees

Approximately 75% of Southside is unionized. The Environmental Services Department is represented by Local 1199, whose contract expires in April 2010. Nurses are represented by NYSNA. The contract was recently renegotiated and is in effect through March 1, 2009. Management considers its relations with its employees to be good.

Utilization Statistics for Southside Hospital

	For the 12 Month Period Ended December 31,		
Inpatient	**2004**	**2005**	**2006**
Discharges (excl. Nursery) (1)	16,623	16,455	15,937
Patient Days (excl. Nursery) (2)	107,203	98,945	90,131
Average Length of Stay (in Days) (2)	6.45	6.01	5.66
Average Daily Census (2)	293	271	247
Beds Available (3)	365	325	296
Percent of Occupancy (3)	80.2%	82.6%	76.9%
Normal Newborn Discharges	2,820	2,780	2,960
Total Discharges	19,443	19,235	18,897
Outpatient			
Emergency Room Visits (4)	42,503	45,067	46,624
Emergency Room Admissions	10,339	10,217	9,882
Total ER Encounters (4)	52,842	55,284	56,506
Clinic Visits	-	-	-
Ambulatory Surgery Visits (5)	6,367	7,336	6,858
Other Outpatient Visits (6)	65,126	65,351	62,200

(1) Decreased discharges reflect closure of unprofitable detox unit in the spring of 2006.
(2) Decreased patient days and average length of stay reflect management initiatives.
(3) Changes in bed complement due to ongoing renovations of nursing units throughout 2005 and 2006. Beds available are reported as the number of beds at the end of each report period, and occupancy is calculated using the average beds available for the report period.
(4) Increased visits due to closure of a community hospital within service area.
(5) Endoscopy services added in the fall of 2004. 2004 and 2005 restated due to reclassification of services between Private Ambulatory and Ambulatory Surgery. Decreased volume in 2006 due to the migration of services for certain physician practices to non-affiliated ambulatory surgical centers.
(6) Decrease primarily related to less profitable private ambulatory visits. 2004 and 2005 restated due to reclassification of services between Private Ambulatory and Ambulatory Surgery.

Source: NSLIJ HCI Finance Department

Southside Hospital and Affiliates
Summary of Historical Revenues and Expenses
Years ended December 31
(In Thousands)

	2004	**2005**	**2006**
Operating revenue:			
Net patient service revenue--hospital and nursing facilities	$181,143	$195,260	$200,855
Physician practice revenue	-	-	-
Other operating revenue	19,620	20,963	25,034
Net assets released from restrictions used for operations	-	-	933
Total operating revenue	200,763	216,223	226,822
Operating expenses:			
Salaries	103,808	98,873	101,465
Employee benefits	30,173	29,957	34,376
Supplies and expenses	67,463	58,015	60,910
Bad debt expense	18,266	24,550	27,091
Depreciation and amortization	9,118	10,904	10,782
Interest	4,626	5,511	4,577
Total operating expenses	233,454	227,810	239,201
Deficiency of operating revenue over operating expenses	(32,691)	(11,587)	(12,379)
Nonoperating gains:			
Contributions, net of fundraising expenses	247	92	2
Deficiency of revenue and gains over expenses	(32,444)	(11,495)	(12,377)

Source: NSLIJ HCI Finance Department (For the years ended December 31, 2004, 2005 and 2006, the financial statements of Southside were audited separately from the combined financial statements of the NSLIJ Obligated Group).

THIS SECTION CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE “FORWARD-LOOKING STATEMENTS,” AS SUCH TERM IS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. IN THIS RESPECT, SUCH FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BY THE USE OF THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND” OR “BELIEVE” OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD RESULT IN THE ACTUAL INFORMATION BEING SIGNIFICANTLY DIFFERENT FROM THAT EXPRESSED IN THIS SECTION BY THE REPRESENTATIVE, THE NSLIJ SYSTEM, THE MEMBERS OF THE OBLIGATED GROUP OR THE UNDERWRITERS. THESE RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, UNCERTAINTIES RELATING TO ECONOMIC CONDITIONS, THE ABILITY OF THE MEMBERS OF THE OBLIGATED GROUP TO MAKE LOAN PAYMENTS, RISKS INVOLVING FUTURE PERTINENT COURT DECISIONS, RISKS RELATING TO CHANGES IN THE HEALTHCARE ENVIRONMENT, ACTIONS INSTITUTED BY COMPETING HEALTHCARE PROVIDERS OR THE LOSS OF TAX EXEMPTION, ALL AS MORE FULLY DESCRIBED IN “BONDHOLDERS’ RISKS” HEREIN. POTENTIAL INVESTORS ARE CAUTIONED THAT SUCH STATEMENTS ARE ONLY PREDICTIONS AND THAT ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

PART 8 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP

The following discussion of risks to holders of the Series 2007 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2007 Bonds, in addition to other risks described throughout this Official Statement.

The revenue and expenses of the Members of the Obligated Group 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, including, but not limited to, the costs of inpatient and outpatient care, physician fees, capital expenditures and the costs of graduate medical education. In addition to matters discussed elsewhere herein, the following factors may have a material effect on the operations of the Members of the Obligated Group to an extent that cannot be determined at this time.

General

The Series 2007 Bonds are not a debt or liability of the State of New York or any political subdivision thereof, but are special and limited obligations of the Authority payable solely from the Revenues which consist of payments payable by each Member of the Obligated Group, payments by the Obligated Group pursuant to the Series 2007 Obligations, the funds and accounts held by the Trustee pursuant to the Series 2007 Resolution (except the Arbitrage Rebate Fund) and certain investment income thereon. The Authority has no taxing power. No representation or assurance can be made that revenues will be realized from the Obligated Group in amounts sufficient to provide funds for payment of debt service on the Series 2007 Bonds when due and to make other payments necessary to meet the obligations of the Obligated Group. Further, there is no assurance that the revenues of the Obligated Group can be increased sufficiently to match increased costs that may be incurred.

The receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state regulations and policies affecting the healthcare industry; the policies and practices of managed care providers, private insurers and other third party payors; and private purchasers of healthcare services. The effect on each Member of the Obligated Group of recently enacted statutes, regulatory changes and future changes in federal, state and private policies cannot be determined at this time. Loss of established managed care contracts by certain Members of the Obligated Group could also adversely affect the future revenues of the Obligated Group.

Future revenues and expenses of the Obligated Group may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as demand for healthcare services; the capability of the management of Members of the Obligated Group; the receipt of grants and contributions; referring physicians' and self-referred patients' confidence in the Members of the Obligated Group; and increased use of contracted discounted payment schedules with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and other payors. Other factors which may affect revenues and expenses include, the ability of the Obligated Group to provide services required by patients; the relationship of the Obligated Group with physicians; the success of the Obligated Group's strategic plans; the degree of cooperation among and competition with other hospitals in the Obligated Group's area; changes in levels of private philanthropy; malpractice claims and other litigation; economic and demographic developments in the United States and in the service areas in which facilities of the Obligated Group are located; changes in interest rates that affect the investment results; and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. All of the above referred to factors could affect the Obligated Group's ability to make payments pursuant to the respective 2007 Loan Agreement and the Obligated Group's ability to make payments under the Series 2007 Obligations. See "PART 7 – THE OBLIGATED GROUP" and Appendix B hereto.

Legislative, Regulatory and Contractual Matters Affecting Revenue

The healthcare industry is heavily regulated by the federal and state governments. A substantial portion of revenue comes 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 hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Obligated Group cannot be predicted.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") established many changes to the Medicare program, including revisions to Indirect Medical Education funding and expanded coverage for other costs and services. These and future Medicare funding changes could have an adverse effect on hospitals.

Legislation is periodically introduced in Congress and in the New York Legislature that could result in limitations on the Obligated Group's revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to be provided by the Members of the Obligated Group. 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 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 Obligated Group cannot be predicted.

State Budget

New York State's 2007 – 2008 budget accomplishes the goal of decreasing the growth in statewide Medicaid spending. The enacted budget contains many restorations of cuts that were contained in the proposed budget. See "PART 7 – THE OBLIGATED GROUP –*Reimbursement Methodologies-Medicaid, Blue Cross and Commercial Insurance Carriers*". The Obligated Group's budget anticipated the decrease in Medicaid spending.

The 2007-08 budget agreed to by Governor Spitzer and the Legislature extends HCRA through March 31, 2008. HCRA creates a system of state-imposed assessments and surcharges on various categories of third party payors for healthcare services that fund annual state-operated pools for indigent care, healthcare initiatives, and professional education. Other funding for HCRA stems from conversion proceeds generated by the privatization of Empire Blue Cross/ Blue Shield and revenues from cigarette taxes. The indigent care pool funds are allocated for distributions among hospitals on a formula basis to offset some of the costs of uncompensated hospital inpatient and outpatient care. The healthcare initiatives pool funds are allocated for numerous projects, including funding for subsidized healthcare insurance programs. The professional educational pool funds are allocated for distributions among hospitals with graduate medical education teaching programs to supplement reimbursement such teaching hospitals receive from non-Medicare and non-Medicaid managed care organizations. Members of the Obligated Group receive significant payments from such pools, and no assurances can be given that substantial changes in these programs will not occur subsequent to HCRA's expiration, nor that payments subsequent to its expiration will remain at levels comparable to the present level.

In connection with the adoption of the budget for the State's fiscal year 2005-2006, the Legislature authorized the creation of a "Commission on Health Care Facilities in the Twenty-First Century" charged with studying the State's hospital and nursing home systems and making recommendations for closure, resizing, conversion, consolidation and restructuring. The Commission (commonly referred to as the "Berger Commission") was chaired by Stephen Berger, Chairman of Odyssey Investment Partners, LLC and former New York State Commissioner of Social Services. It was comprised of 18 statewide commissioners and 6 regional commissioners from each of the six regions in the State (Long Island, New York City, Hudson Valley, Northern, Central, and Western). In making recommendations, the Commission considered hospital and nursing home capacity in each region of the State, the economic impact of rightsizing actions, capital debt of affected facilities, the existence of other health care providers in the region, the availability of services for the uninsured, underinsured, and Medicaid populations, and additional factors as determined by the Commissioner of Health or the Commission. The Commission met the established timeframes to transmit their recommendations to the Legislature, and its recommendations were adopted by the Legislature December 31, 2006 by virtue of the Legislature not rejecting the recommendations by December 31, 2006. The recommendations are currently being implemented or contested in court. The Commissioner of Health's authority to then implement any recommendations not otherwise rejected expires on June 30, 2008. None of the commonly managed entities of NSLIJ were recommended for closure, reconfiguration or merger by the Berger commission report.

Managed Care and Other Private Initiatives

Currently, the term “managed care” refers to all commercial relationships between payors and providers. The term covers the negotiated arrangement for prices and payment terms that a healthcare provider will accept from a payor on behalf of a covered individual. All prices and terms are carefully articulated in contracts between providers and payors. Prices and terms differ for each hospital and for each payor and, usually, for each product sold by each payor. For example, a payor may sell HMO, PPO, Medicare and Medicaid products to various populations. That payor will then have a unique price established with each individual hospital for every covered service offered for each product sold. The NSLIJ System has had increasing success in achieving standardization in the terms and reasonable parity in prices among the System’s hospitals.

Typical payment methodologies that have been established include severity-adjusted case neutral rates; per diem rates for stays in a Medical/Surgical Unit, Intensive Care Unit, and Cardiac Care Unit; case rates for obstetric deliveries, open heart surgeries and other tertiary level services; discounts from full charges; and set fees for outpatient services. Capitation and risk arrangements, which carry significant risk for providers, have not and likely will not become an important factor in NSLIJ System reimbursement. Management believes the hospitals of the NSLIJ System, on a yearly contracting basis, have developed equitable pricing arrangements with most of the payors with which it contracts. As part of these negotiated contracts, the NSLIJ System has developed payment terms limiting the extent to which a payor may retroactively deny payments for services, which has been a common practice among managed care companies. The contracts also define requirements for insurers to conduct concurrent and prospective reviews. Some contracts contain provisions for advances and Periodic Interim Payments (PIP) as well as other terms that are financially acceptable to its hospitals. However, these contracts have finite terms and are subject to renegotiation, and managed care payors are expected to continue to seek ways to reduce the utilization of healthcare services. Traditional insurance companies and managed care organizations in the State are increasingly offering managed care programs, including various payment methodologies and utilization controls through the use of primary care physicians. Payment methodologies include per diem rates, per discharge rates, discounts from established charges, fee schedules and capitation payments. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which healthcare services are delivered and paid for in the future. In addition, some managed care organizations have been delaying reimbursements to hospitals, thereby affecting cash flows. The Obligated Group’s financial condition may be adversely affected by these trends.

Medicare and Medicaid Managed Care

The Medicare Program has encouraged the development of managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is voluntary and enrollees may disenroll and re-enroll in the traditional fee-for-service Medicare system. Medicare managed care products can be offered only by a licensed HMO or a specially approved network called a Provider Sponsored Organization ("PSO"). At this time, the New York region has a limited number of approved PSOs.

The federal Medicare program pays the HMO a pre-established monthly premium for each Medicare beneficiary who voluntarily enrolls in an HMO product. The premium levels are set at a regional average price adjusted by each enrollee's age, gender and other considerations. In return for the premium, the HMO pays for all the covered and medically necessary services delivered to the enrollee in the month. The HMO is at full financial risk for costs incurred for caring for its enrollees in the given month, as described above.

The Members of the Obligated Group also participate in the federal and New York 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. The rules for the enrollment of Medicaid patients in managed care programs, premium payments to managed care organizations, and the resulting and potential financial risks to the Obligated Group are similar to those already discussed for Medicare managed care programs.

New York State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by CMS in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. Mandatory enrollment programs are now in place in all of New York City, and a significant portion of the Medicaid eligible population has been enrolled in managed care plans. Through its ownership interest in Healthfirst and contracts with other Medicaid managed care plans, the Obligated Group has already established a plan for the transition to a managed Medicaid environment. In particular, the Obligated Group is working with health plans, social service agencies and others to ensure that Medicaid patients currently cared for at Obligated Group hospitals will continue to have access to these facilities throughout the managed Medicaid enrollment process. Despite these efforts, Medicaid patient volume at Obligated Group hospitals may be reduced, partially attributable to competition from other health networks and the uncertainty relating to this historic change in the process for treating Medicaid. The teaching component of Medicaid reimbursement is expected to continue to be paid by the State directly to the hospitals. See "PART 7 – THE OBLIGATED GROUP – North Shore-Long Island Jewish Obligated Group Managed Care Market Place".

The management of the Obligated Group cannot assess or predict the ultimate effect of any such legislation or regulation which reduces Medicaid or Medicare reimbursement, if enacted or adopted, on its operations.

Outlier Payments

In 2002, the Centers for Medicare & Medicaid Services ("CMS") initiated an audit of aggressive pricing strategies at one of the nation's largest hospital chains. The audit, which was designed to determine whether outlier payments to the hospitals were paid in accordance with Medicare regulations, focused on whether the charge data used by the hospitals to calculate their outlier reimbursements was inflated to increase reimbursements. The United States Department of Health and Human Services, Office of the Inspector General ("OIG") and the Department of Justice have also initiated probes into the potentially abusive billing practices of such organizations.

Following the initiation of this audit, CMS issued Program Memoranda to its fiscal intermediaries (i.e., non-governmental organizations or agencies that contract with the federal government to process Medicare claims) directing them to analyze outlier payments and to identify other hospitals across the country with high outlier payments. CMS indicated that hospitals found to have engaged in strategies to obtain excessive outlier payments could be referred to the CMS Program Integrity Unit for further investigation, and, where appropriate, to the OIG for investigation and/or prosecution. CMS also issued a rule that would change the way outlier payments are calculated in the future. The new rule, which became effective in 2003, limits the opportunity of a hospital to manipulate the outlier formula to maximize reimbursement, and allows for recovery of overpayments in certain cases. There can be no assurance that the Obligated Group will not become the subject of an audit in the future with respect to its outlier payments. However, management of the Obligated Group believes its fiscal 2004-2007 outlier revenues were or are below the Medicare criteria since the ratio cost to charges is below the threshold that would trigger a retroactive payback. See "PART 7 – THE OBLIGATED GROUP – Reimbursement Methodologies."

Regulatory Reviews, Audits and Investigations

The Obligated Group, like other health care institutions, is subject to regulatory review, audit and investigation of its governmental reimbursement. Based on the results of such reviews, the Obligated Group may be required to repay previously received reimbursement. One such audit is the Medicare Recovery Audit Contract Initiative. This review calls for a three-year recovery audit demonstration project in states with the highest per capita Medicare expenditure in order to test and ensure the accuracy of Medicare payments. The states under review for this demonstration project include New York, California and Florida. The review began in late 2005. The Obligated Group cannot determine at this time whether the review will result in a material repayment obligation.

An informal industry-wide inquiry was commenced by the New York State Attorney General regarding amounts recognized as reserves, however denominated, on the institutional cost report and/or financial statement of New York's skilled nursing facilities and hospitals. The Obligated Group has responded to this request. It is too early to determine whether the inquiry will take the form of a formal investigation or otherwise have a material adverse impact on New York hospitals and skilled nursing facilities, including the Obligated Group.

In June 2006 each of NSUH, LIJMC and the NSLIJ System received substantially similar administrative subpoenas duces tecum issued by the Office of the Inspector General of the United States Department of Health and Human Services (the "OIG") in coordination with the Civil Division of the Office of the United States Attorney for the Southern District of New York (the "SDNY"). The subpoenas seek documents and other information relating to the reporting of certain physician faculty practice revenues and expenses on Medicare and Medicaid cost reports previously submitted by NSUH and LIJMC. In the course of responding to the subpoenas, the NSLIJ System discovered certain inadvertent technical errors by members of the Obligated Group relating to the reporting of past faculty practice expenses and is submitting to the fiscal intermediary revised cost report schedules for such hospitals containing appropriate adjustments.

Document production in response to the subpoenas is substantially complete, yet to date, neither the OIG, the SDNY nor the fiscal intermediary has responded, formally or informally, to the document production. Apart from correction of the inadvertent technical errors noted above (whose estimated reimbursement impact would not be considered material), the NSLIJ System has not found that the cost reports in question contain any inaccuracies that require restatement. However, given the preliminary stage of the investigation, the Obligated Group cannot determine or provide any assurance as to whether or not the investigation will have a material adverse effect on the affected hospitals or the Obligated Group generally.

Since 2003 Staten Island University Hospital ("SIUH"), a sponsored member of the NSLIJ System but not a member of the Obligated Group, has been the subject of several investigations being handled by the Department of Justice ("DOJ") through the United States Attorney's Office for the Eastern District of New York. One of these investigations concerns alleged overpayments received by SIUH on account of Medicare and Medicaid reimbursements received for detoxification services provided in some patient rooms that did not conform to the applicable regulations. Another investigation was initiated by a voluntary disclosure that SIUH made to the United States government regarding potential overpayments received by SIUH on account of Medicare and Medicaid graduate medical education ("GME") reimbursements for 1996 and subsequent cost-report years. Both of these matters remain under investigation.

Although the full nature and scope of the above investigations are not fully known by SIUH and its legal counsel, SIUH, based on analyses prepared by and advice from legal counsel, has accrued an estimated settlement liability amount in the SIUH financial statements which are included in the consolidated financial statements of the NSLIJ System, but not in the separate financial statements of the Obligated Group. The government has made no payment demand and no settlement discussions have occurred. The estimated settlement amount recorded was based on calculations of overpayments received by SIUH relating to the above claims and does not include any estimates for potential penalties and fines that could be assessed since these amounts cannot be estimated. It is possible that the resolution of these issues could differ materially from the accrued amounts and could have a material adverse effect on the consolidated financial position of the NSLIJ System.

In April 2007, the Assistant United States Attorney handling the above investigations of SIUH informed counsel for the NSLIJ System that the government may assert claims against the NSLIJ System arising from the same investigations. Counsel for the NSLIJ System has not been provided with any written statements by the government to substantiate its position against the NSLIJ System nor has the government otherwise identified any credible evidence on which such claims would or could be based. Counsel and management of the NSLIJ System, based upon their current knowledge and belief, are not aware of any credible evidence that would support liability of the NSLIJ System on a claim against it in these matters. Accordingly, except for amounts recorded by SIUH, no additional amounts for such matters have been recorded by the NSLIJ System in its consolidated financial statements or in the separate financial statements of the Obligated Group.

Competition

Payments to the hospital industry have undergone rapid and fundamental change triggered by the deregulation of the acute care hospital reimbursement system and the requirement to negotiate all non-government contracts and prices. This may further increase competitive pressures on acute care hospitals, including the Members of the Obligated Group. The Obligated Group faces and will continue to face competition from other hospitals, integrated delivery systems and ambulatory care providers that offer similar healthcare services.

There are many limitations on the ability of a hospital 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 Obligated Group will occur.

Management believes that insurers will encourage competition among hospitals and providers on the basis of price, payment terms and quality. Payors have used the threat of patient steerage, restrictive physician contracting, carve outs, and network exclusion to drive provider prices lower. This may lead to increased competition among hospitals based on price where insurance companies attempt to steer patients to the hospitals that have the most favorable contracts.

Workforce Shortages

Workforce shortages are affecting healthcare organizations at the local, regional and national level, in part due to the fact that a smaller number of students are considering careers in nursing and the allied health professions than in the past. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect the Obligated Group’s ability to control costs and its financial performance.

In order to recruit and retain professional and nursing staff to strengthen clinical services, the Obligated Group has offered, and in the future intends to offer, competitive salaries to both newly recruited individuals and existing staff. In some years such salaries have increased, and in the future may continue to increase, more than the rate of inflation. Such increases also have exceeded, and in the future may exceed, increases in the Obligated Group’s rates of payment.

Labor Relations and Collective Bargaining

Hospitals and other health care providers often are large employers with a wide diversity of employees. Increasingly, employees of hospitals and other providers are becoming unionized, and many hospitals and other providers have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to the affected members. In addition, employee strikes or other adverse labor actions may have an adverse impact on the Obligated Group.

Federal "Fraud and Abuse" Laws and Regulations

The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, in return for or to induce business that may be paid for, in whole or in part, under a federal healthcare program including, but not limited to, the Medicare or Medicaid programs. Violation of the Anti-Kickback Law is a felony, subject to a maximum fine of $25,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The Office of the Inspector General ("OIG"), the enforcement arm of Department of Health and Human Services ("DHHS"), can also initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of $50,000 for each act in violation of the Anti-Kickback Law or damages equal to three times the amount of prohibited remuneration may be imposed. The scope of prohibited payments in the Anti-Kickback Law is broad and includes many economic arrangements involving hospitals, physicians and other healthcare providers, including (but not limited to) joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts.

The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict due, in part, to government discretion in pursuing enforcement and the lack of significant case law.

Federal False Claims Act

The criminal False Claims Act ("criminal FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The civil False Claims Act ("civil FCA"), one of the government's primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by the United States Attorney's Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

Under the civil FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims. Civil FCA violations have been alleged solely on the existence of alleged kickback or self-referral arrangements. Even in the absence of evidence that literally false claims have been submitted, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA. Other civil FCA cases have proceeded on a theory that providers are liable for the submission of false claims when they are not in full compliance with applicable legal and regulatory standards. It is impossible to predict with certainty whether courts will uniformly hold that regulatory non-compliance and anti-kickback or self-referral violations are subject to prosecutions as false claims. If a provider is faced with a civil FCA prosecution based on one of these theories, however, allocation of the funds required to contest or settle the matter could have a material adverse impact on that provider and, potentially, its affiliates.

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties.

Limitations on Certain Arrangements Imposed by Federal Ethics in Patient Referrals Act

The Federal Ethics in Patient Referrals Act (known as the "Stark Law") prohibits the referral of Medicare and Medicaid patients for certain "designated health services" to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship. The statute also prohibits the entity furnishing the "designated health services" from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The designated health services subject to these prohibitions are clinical laboratory services, physical and occupational therapy services, radiology services (including magnetic resonance imaging, computerized tomography and ultrasound), radiation therapy services and supplies (not including nuclear medicine), durable medical equipment and supplies, parenteral and enteral nutrients (including equipment and supplies), orthotic and prosthetic devices and supplies, speech language pathology, home health services, outpatient prescription drugs and inpatient and outpatient hospital services (not including lithotripsy).

The New York Health Care Practitioner Referral Law (the "State Provisions") is similar to the Stark Law; however, it covers all patients (irrespective of payor) and prohibits practitioners from referring a patient to a healthcare provider for clinical laboratory services, x-ray imaging services, radiation therapy services, physical therapy, or pharmacy services if the referring practitioner (or an immediate family member) has a financial interest in the healthcare provider.

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as "Stark") is defined as either an ownership or investment interest in the entity or a compensation arrangement between the physician (or immediate family member) and the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute "financial relationships" within the meaning of Stark.

The Stark provisions provide certain exceptions to these restrictions, but these exceptions are narrow and an arrangement must fully comply with an exception. If the relationship (which would include compensation arrangements such as employment and other professional services relationships, and ownership or investment interests) between a physician/practitioner and the hospital cannot be made to fit within the exceptions, the hospital will not be permitted to accept referrals for designated services from the physician/practitioner who has such financial relationship.

Violations of Stark can result in denial of payment, substantial civil money penalties, and exclusion from the Medicare and Medicaid programs. In certain circumstances, knowing violations may also create liability under the False Claims Act. Enforcement actions for any such violations could have a material adverse impact on the financial condition of a health care provider, including the Obligated Group.

Regulation of Patient Transfer

Federal and New York laws require hospitals to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Congress enacted the Emergency Medical Treatment and Active Labor Act ("EMTALA") in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient's inability to pay for the services provided. EMTALA requires hospitals with emergency rooms, including the Obligated Group, to treat or conduct an appropriate and uniform medical screening for emergency conditions (including active labor) on all patients and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient to another hospital.

Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil penalties of up to $50,000 per violation. In addition, the hospital is liable for any claim by an individual who has suffered harm as a result of such violation.

Civil Monetary Penalty Act

The federal Civil Monetary Penalty Act ("CMPA") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as "gain sharing" by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also would be subject to CMPA penalties. A health care provider that provides benefits to Medicare or Medicaid beneficiaries that the provider knows or should know are likely to induce the beneficiaries to choose the provider for their care also would be subject to CMPA penalties. The CMPA authorizes imposition of a civil money penalty and treble damages.

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

Exclusions from Medicare or Medicaid Participation

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program.

Enforcement Activity

Enforcement activity against health care providers has increased, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals will be subject to an investigation, audit or inquiry regarding billing practices or false claims. Due to the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries are increasing and could result in enforcement action against the Obligated Group.

Enforcement authorities are sometimes in a position to compel settlements by providers charged with, or being investigated for, false claims violations by withholding or threatening to withhold Medicare, Medicaid or similar payments or by threatening the possibility of a criminal action. In addition, the cost of defending such an action, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, the Obligated Group could experience materially adverse settlement costs, as well as materially adverse costs associated with the implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Obligated Group, regardless of the outcome, and could have material adverse consequences on the financial condition of the Obligated Group.

Increased Enforcement Affecting Academic Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also increased enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the NIH significantly increased the number of facility inspections that these agencies perform. The FDA also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in its recent "Work Plans" has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the NIH and other agencies of the U.S. Public Health Service. The Obligated Group receives payments for health care items and services under many of these grants and is subject to complex and ambiguous coverage principles and rules governing billing for items or services it provides to patients participating in clinical trials funded by governmental agencies and private sponsors. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject the Obligated Group to sanctions as well as repayment obligations.

Department of Health Regulations

The Members of the Obligated Group are subject to regulations of the New York State Department of Health. Compliance with such regulations may require substantial expenditures for administrative or other costs. The Obligated Group's ability to add services or beds and to modify existing services materially is also subject to Department of Health review and approval. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Obligated Group's ability to make changes to its service offerings and respond to changes in the environment may be limited.

Other Governmental Regulation

The Members of the Obligated Group are 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, professional and industrial associations of staff and employees, applicable professional review organizations, JCAHO, the Environmental Protection Agency, the Internal Revenue Service ("IRS") and other federal, state and local governmental agencies, and by the various federal, state and local agencies created by the National Health Planning and Resources Development Act and the Occupational Safety Health Act.

Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative activity or response by the Obligated Group. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse result could cause a loss or reduction in the Obligated Group's scope of licensure, certification or accreditation, could reduce the payment received or could require repayment of amounts previously remitted to the provider.

OIG Compliance Guidelines

On February 23, 1998, the OIG published Compliance Program Guidance ("CPG") for the hospital industry. In recognition of the significant changes in the delivery and reimbursement for hospital services that have occurred since the CPG's publication, the OIG published Supplemental Compliance Program Guidance on January 31, 2005. These issuances (collectively, the "Guidances") provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable federal and state law and the program requirements of federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that healthcare providers, such as the Members of the Obligated Group, will not be investigated by one or more federal or state agencies that enforce healthcare fraud and abuse laws or that they will not be required to make repayments to various healthcare insurers (including the Medicare and/or Medicaid programs).

Not-for-Profit Status

As a non-profit tax-exempt organization, each Member of the Obligated Group is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, the Members of the Obligated Group conduct large-scale complex business transactions and are significant employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation.

Internal Revenue Code Limitations

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

As tax-exempt organizations, the Members of the Obligated Group are limited with respect to the use of practice income guarantees, reduced rent on medical office space, below market rate interest loans, joint venture programs, and other means of recruiting and retaining physicians. The Internal Revenue Service ("IRS") has recently intensified its scrutiny of a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities, including Members of the Obligated Group, and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS has also commenced intensive audits of select healthcare providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a hospital's tax-exempt status.

Any suspension, limitation, or revocation of the tax-exempt status of the Members of the Obligated Group or assessment of significant tax liability could have a material adverse effect on the Obligated Group and might lead to loss of tax exemption of interest on the Series 2007 Bonds.

Revocation of the tax-exempt status of the Members of the Obligated Group 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 2007 Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt healthcare providers and nonexempt individuals or entities. 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 Members of the Obligated Group.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person.

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

Tax Audits

Taxing authorities have recently been conducting tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. On or about August 11, 2004, the IRS completed its coordinated examination program (CEP) audit of NSLIJ HCI (formerly known as North Shore Health System), and affiliated hospitals for the calendar years-ended December 31, 1996 and 1997. NSUH, PVH, GCH, FHH and CECR were included in the audit. The IRS concluded that all Forms 990 are accepted as filed and the exempt status of each organization remains in effect. LIJMC was not included in the audit. The last known IRS audit conducted for LIJMC was on or about 1984. The audit resulted in no changes to the Federal Form 990 and a minor FICA adjustment.

None of the Obligated Group members are currently under audit. In June of 2005, NSLIJ HCI received a letter from the IRS stating that its 2002 Form 990 was being examined to ensure compliance with section 4958 of the Internal Revenue Code, relating to taxes on excess benefit transactions. NSLIJ HCI understands that this is part of a nationwide compliance program and that many other tax-exempt organizations throughout the United States received similar letters. NSLIJ HCI is not a Member of the Obligated Group. NSLIJ HCI is the sole corporate member of each of the Members of the Obligated Group, and officers of the Members of the Obligated Group are also officers of NSLIJ HCI; the compensation of such officers was reported on NSLIJ HCI's Form 990 for 2002. The IRS letter requested certain information and documents. NSLIJ HCI responded to the IRS's requests. No response to the submission has been received from the IRS. The IRS has, however, requested an extension of time, and NSLIJ HCI has agreed to an extension through August 15, 2007.

Antitrust

Enforcement of the antitrust laws against healthcare providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, and certain pricing and salary setting activities. Actions can be brought by federal and state enforcement agencies seeking criminal and civil penalties and, in some instances, by private litigants seeking damages for harm arising out of allegedly anti-competitive behavior. Common areas of potential liability include joint action among providers with respect to payor contracting, medical staff credentialing, and issues relating to market share. Liability in any of these or other trade regulation areas may be substantial, depending on the facts and circumstances of each case. With respect to payor contracting, the Members of the Obligated Group, from time to time, may be involved in joint contracting activity with hospitals or other providers. The degree to which these or similar joint contracting activities may expose a participant to antitrust risk from governmental or private sources is dependent on a myriad of factors that may change from time to time. If any provider with whom the Obligated Group is or becomes affiliated is determined to have violated the antitrust laws, the Members of the Obligated Group may be subject to liability as a joint actor.

Some judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Some court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary healthcare businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved. There can be no assurance that a third party reviewing the activities of the Obligated Group would find such activities to be in full compliance with the antitrust laws.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") established criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, securities, premiums, credits, property or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from the Medicare program.

HIPAA also required DHHS to adopt national standards for electronic health care transactions, including:

- standardized electronic transaction formats and code sets to allow standardized electronic transmission of healthcare claims and information;

- unique identifiers to support these standard transmissions;

- comprehensive privacy standards establishing a minimum threshold for determining when to allow access to or disclosure of personal health information; and

- security mechanisms to guard against unauthorized access to health information.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from $50,000 to $250,000 or imprisonment if the information was obtained or used with the intent to sell, transfer, or use the information for commercial advantage, personal gain or malicious harm.

Compliance with HIPAA has required changes in information technology platforms, major operational and procedural changes in the handling of data, and vigilance in monitoring of ongoing compliance with the various regulations. The Obligated Group has implemented HIPAA training and ongoing monitoring, which have been in place since April 2003. The financial cost of compliance with the "administrative simplification" regulations is substantial. Failure to achieve compliance with the transactions and code set standards could result in substantial payment delays, which could, in turn, have significant negative cash flow implications for the Obligated Group.

Environmental 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 medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As owners and operators of properties and facilities, the Members of the Obligated Group may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off the property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

Affiliation, Merger, Acquisition and Divestiture

As part of its ongoing planning and property management functions, the Members of the Obligated Group review the use, compatibility and financial viability of many of their operations, and from time to time, may pursue changes in the use, or disposition, of their facilities. Likewise, NSLIJ may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of NSLIJ in the future, or about the potential sale of some of the operations and properties of NSLIJ. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect the Members of the Obligated Group, are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently owned by the Members of the Obligated Group may change from time to time, subject to the provisions in the financing documents that apply to merger, sale, disposition or purchase of assets.

Professional Liability Claims and General Liability Insurance

Although the number of malpractice lawsuits filed against physicians and hospitals has stabilized in recent years, the dollar amounts of patient damage recoveries still remain potentially significant. A number of insurance carriers have withdrawn from this segment of the insurance market citing underwriting losses, and premiums have increased sharply in the last several years. The effect of these developments has been to significantly increase the operating costs of hospitals, including the Obligated Group.

The Obligated Group currently carries malpractice, directors' and officers' liability and general liability insurance, which management of the Obligated Group considers adequate, but no assurance can be given that the Obligated Group will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all malpractice judgments rendered against the Obligated Group or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. For a discussion of the insurance coverage of the Obligated Group, see "PART 7 - THE OBLIGATED GROUP - Professional and General Liability Insurance Program" herein.

Certain Accreditations

The Members of the Obligated Group are subject to periodic review by JCAHO. The Members of the Obligated Group have each received accreditation from JCAHO. No assurance can be given as to the effect on future operations of existing, or subsequently amended, laws, regulations and standards for certification or accreditation.

In addition, the Members of the Obligated Group sponsor programs of graduate medical education ("GME Programs"), training residents and fellows, which programs are accredited by the Accreditation Council for Graduate Medical Education ("ACGME") (for medical programs) and by the American Dental Association ("ADA") (for dental programs). All GME Programs are subject to periodic review by the applicable specialty Residency Review Committee of the ACGME, or by the ADA, as appropriate. No assurance can be given as to (i) the outcome of future reviews of these GME Programs, (ii) such programs' continued accreditation, or (iii) the continuing eligibility of the costs associated therewith for graduate medical education reimbursement. See "PART 7 - THE OBLIGATED GROUP - Licensure and Accreditation."

Increased Costs and State-Regulated Reimbursement

In recent years, substantial cutbacks in personnel and other cost-cutting measures have been instituted at hospitals throughout the State. Generally, these cutbacks have been instituted to address the disparity between rising medical costs and State-regulated reimbursement formulas, including those for Medicaid, Blue Cross and Blue Shield, and other third-party payors. Rising healthcare costs resulted from, among other factors, healthcare costs exceeding inflation, staff shortages, pharmaceutical costs and the highly technical nature of the industry. The Members of the Obligated Group have been affected by the impact of such rising costs, and there can be no assurance that the Members would not be similarly affected by the impact of additional unreimbursed costs in the future.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2007 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Obligated Group's capabilities and the financial conditions and results of operations of the Obligated Group.

Enforceability of Lien on Gross Receipts

The Agreement provides that the Obligated Group shall make payments to the Trustee sufficient to pay the Bonds and the interest thereon as the same become due. The obligation of the Obligated Group to make such payments is secured by the Series 2007 Obligations, which, in turn, are secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of the Obligated Group. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – Obligations under the Master Indenture – Security Interest in Gross Receipts." The lien on Gross

Receipts may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by the Members of the Obligated Group to other parties in the ordinary course might no longer be subject to the lien on the Master Indenture and might therefore be unavailable to the Master Trustee.

To the extent that Gross Receipts are derived from payments by the federal or state government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and Gross Receipts not subject to the Lien, the Master Trustee would occupy the position of an unsecured creditor. Counsel to the Obligated Group has not provided an opinion with regard to the enforceability of the Lien on Gross Receipts of the Obligated Group, where such Gross Receipts are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Member of the Obligated Group before paying debt service on the Bonds.

Pursuant to the New York Uniform Commercial Code, a security interest in the proceeds of Gross Receipts may not continue to be perfected if such proceeds are not paid over to the Master Trustee by a Member of the Obligated Group under certain circumstances. If any required payment is not made when due, the Members of the Obligated Group must transfer or pay over immediately to the Master Trustee any Gross Receipts with respect to which the security interest remains perfected pursuant to law. Any Gross Receipts thereafter received shall upon receipt by a Member of the Obligated Group be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment.

The value of the security interest in the Gross Receipts could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Bonds. See "PART 1 – INTRODUCTION – Security for the 2007 Bonds."

Enforceability of the Master Indenture

Under New York law, a not-for-profit corporation may guarantee the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor not-for-profit corporation. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of a Member to make payments due under an Obligation, including the Note, relating to bonds issued for the benefit of another Member, may be declared void in an action brought by a third-party creditor pursuant to the New York fraudulent conveyance statutes or may be avoided by a Member or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested. An obligation may be voided under the federal Bankruptcy Code or under the New York fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of "fair consideration" or "reasonably equivalent value," and (b) the obligation renders the obligor "insolvent," as such terms are defined under the applicable statute. Interpretation by the courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. For example, a Member's joint and several obligation under the Master Indenture to make all payments there under, including payments in respect of funds used for the benefit of the other Members, may be held to be a "transfer" which makes such Member "insolvent" in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than "fair consideration" for such obligation because none or only a portion of the proceeds of the indebtedness are to be used to finance projects occupied or used by such Member. While the Members may benefit generally from the projects financed from the indebtedness for the other Members, the actual cash value of this benefit may be less than the joint and several obligation. The rights under the New York fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Agreement.

In addition, the assets of any Member may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a Member has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the Member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the State. In the absence of clear legal precedent in this area, the extent to which the assets of any Member can be used to pay Obligations issued by or on behalf of others cannot be determined at this time.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

An action to enforce a charitable trust and to see to the application of its funds could also arise if an action to enforce the obligation to make payments on an Obligation issued for the benefit of another Member of the Obligated Group would result in the cessation or discontinuation of any material portion of the healthcare or related services previously provided by the Member of the Obligated Group from which payment is requested.

Exercise of Remedies under Master Indenture

"Events of Default" under the Master Indenture include the failure of the Obligated Group to make payments on any Obligation Outstanding under the Master Indenture (such as the Series 2007 Obligations) and may include nonpayment related defaults under documents such as the 2007 Loan Agreements, the Resolution or the Mortgages. The Master Indenture provides that upon an "Event of Default" there under, the Master Trustee may in its discretion, by notice in writing to Members of the Obligated Group, declare the principal of all (but not less than all) Obligations Outstanding there under to be due and payable immediately and may exercise other remedies there under. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately unless requested to do so by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding under the Master Indenture. Consequently, upon the occurrence of an "Event of Default" under the Resolution with respect to the Series 2007 Bonds and an acceleration of the maturity of the Series 2007 Bonds, the Master Trustee is not required to accelerate the maturity of all Obligations Outstanding under the Master Indenture upon direction from the Trustee unless (i) the principal amount of Series 2007 Bonds Outstanding is at least equal to 25% of the principal amount of all Obligations Outstanding under the Master Indenture, or (ii) the Trustee and all other holders of Obligations requesting such acceleration hold at least 25% of all Obligations Outstanding under the Master Indenture.

Intercreditor Agreement

Pursuant to the provisions of the Intercreditor Agreement, the exercise of certain rights and remedies of the Authority and Trustee for the Series 2007 Bonds may be restricted or limited for certain periods. No assurance can be given that amounts realized by the Authority or the Trustee upon the exercise of certain remedies in accordance with the Intercreditor Agreement will be sufficient to pay the principal of and the interest on the Series 2007 Bonds as the same shall become due and payable.

Bankruptcy

The Series 2007 Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2007 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the 2007 Loan Agreements, the Mortgages and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the 2007 Loan Agreements, the Mortgages and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2007 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the holders of the Series 2007 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If the Obligated Group were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against the Obligated Group and its property, including the commencement of foreclosure proceedings under the Mortgages. The Obligated Group would not be permitted or required to make payments of principal or interest under the 2007 Loan Agreements and the Obligations, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution from being applied in accordance with the provisions of the Resolution, including the transfer of amounts on deposit in the Debt Service Reserve Fund to the Debt Service Fund, and the application of such amounts to the payment of principal and Sinking Fund Installments of, and interest on, the Series 2007 Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of the Obligated Group, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also extinguish the Master Trustee's continuing security interest in the Obligated Group's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by the Obligated Group under the Obligations, the Master Indenture, the Mortgages, and the 2007 Loan Agreements, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

The Obligated Group could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against the Obligated Group provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired there under. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired there under and does not discriminate unfairly.

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth therein, the Resolution, the 2007 Loan Agreements and the Master Indenture permit the Members of the Obligated Group to incur additional indebtedness, including Additional Bonds. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2005 Bonds.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, or the market value of the Series 2007 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.

- Increased unemployment or other economic conditions in the service area of the Obligated Group, which could increase the proportion of patients who are unable to pay fully for the cost of their care.

- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- Reduced demand for the services of the Obligated Group that might result from decreases in population or innovations in technology.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of the Obligated Group, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the operations and the generation of revenues from the Obligated Group's facilities.

- Adoption of a so-called "flat tax" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2007 Bonds and the level of charitable donations to the Obligated Group.

PART 9 - THE AUTHORITY

Background, Purposes and Powers

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

Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

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

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

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

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

At March 31, 2007, the Authority had approximately $33.6 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 March 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 1,975,416,000	$ 752,200,000	$ 0	$ 752,200,000
State University of New York Educational and Athletic Facilities	11,351,092,999	4,804,109,869	0	4,804,109,869
Upstate Community Colleges of the State University of New York	1,366,010,000	575,980,000	0	575,980,000
Senior Colleges of the City University of New York	8,609,563,549	3,146,002,270	0	3,146,002,270
Community Colleges of the City University of New York	2,194,081,563	549,157,730	0	549,157,730
BOCES and School Districts	1,524,911,208	1,146,575,000	0	1,146,575,000
Judicial Facilities	2,161,277,717	745,382,717	0	745,382,717
New York State Departments of Health and Education and Other	3,182,915,000	2,001,240,000	0	2,001,240,000
Mental Health Services Facilities	5,682,130,000	3,720,620,000	0	3,720,620,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	913,895,000	829,085,000	0	829,085,000
Totals Public Programs	$39,734,768,036	$18,270,352,586	$ 0	$ 18,270,352,586

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$14,187,576,020	$ 6,764,268,039	$115,998,000	$ 6,880,266,039
Voluntary Non-Profit Hospitals	11,747,969,309	7,328,265,000	0	7,328,265,000
Facilities for the Aged	1,960,585,000	1,126,815,000	0	1,126,815,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$27,991,130,329	$15,219,348,039	$115,998,000	$15,335,346,039
Grand Totals Bonds and Notes	$67,725,898,365	$33,489,700,625	$115,998,000	$33,605,698,625

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2007, the Agency had approximately $632 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 March 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0
Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 3,930,000
Insured Mortgage Programs	6,625,079,927	592,999,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	34,635,000
Total Non-Public Programs	9,265,549,927	631,564,927
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 631,564,927

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:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr. Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His current term expires on March 31, 2008.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980's. Mr. Ruder is Vice Chairman of the New York State Board of Science, Technology and Academic Research (NYSTAR), and also serves on the board of the Adirondack Council, the Scarsdale United Way, the New York Metro Chapter of the Young Presidents' Organization and PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2007.

SANDRA M. SHAPARD, Delmar.

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

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges currently serves as the Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges 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.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and

Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of $500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

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

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

PAUL E. FRANCIS, *Budget Director for the State of New York,* Westchester County; *ex-officio.*

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis 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. Francis also currently serves as a Senior Advisor to the Governor. Prior to his appointment to Director of the Budget and Senior Advisor to the Governor, Mr. Francis served as policy director for Governor Spitzer's gubernatorial campaign and transition team. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

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

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

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior U.S. Litigation Attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

MICHAEL T. CORRIGAN is the Deputy Executive Director of the Authority, and assists the Executive Director in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

CHERYL ISHMAEL is the Managing Director of Public Finance. She conducts and coordinates financial feasibility studies for certain institutions and coordinates the production of disclosure documents for the sale of Authority obligations. Ms. Ishmael has worked in finance in both the public and private sectors, as a Managing Director of public finance at two investment banking firms. She served as Deputy Budget Director of the New York City Office of Management and Budget and as Director of Fiscal Studies for the State Senate Finance Committee. She also served as an Adjunct Professor at Columbia University. She holds a Bachelor's degree in Political Science and Journalism from Syracuse University and a Master's degree in Public Administration from the State University of New York at Albany, Graduate School of Public Affairs.

LORA K. LEFEBVRE is the Managing Director of Portfolio Management. She is responsible for the supervision and direction of the Authority's health care monitoring and higher education monitoring groups. Prior to joining the Authority in 1995, Ms. Lefebvre worked for the New York State Division of Budget for nine years in a number of different capacities, working in subject areas that included the State University of New York, school aid and public authority oversight. She holds a Bachelor of Arts in Political Science from Alfred University and a Master's degree in Public Administration from the State University of New York at Albany.

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

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

JAMES M. GRAY, R.A., 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. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions

Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

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 2007 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, 2006. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 - LEGALITY OF THE SERIES 2007 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2007 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. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2007 Bonds.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2007 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2007 Bonds.

PART 12 - TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed forms of opinion of Bond Counsel are set forth in Appendix F and Appendix G hereto.

To the extent the issue price of any maturity of the Series 2007 Bonds is less than the amount to be paid at maturity of such Series 2007 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2007 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2007 Bonds which is excluded from gross income for federal income tax purposes and from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). For this purpose, the issue price of a particular maturity of the Series 2007 Bonds is the first price at which a substantial amount of such maturity of the Series 2007 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2007 Bonds accrues daily over the term to maturity of such Series 2007 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2007 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2007 Bonds. Beneficial Owners of the Series 2007 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2007 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007 Bonds is sold to the public.

Series 2007 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2007 Bonds. The Authority and the Institutions have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2007 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. The opinion of Bond Counsel also assumes that actions of the Institutions, the Authority and other persons taken subsequent to the date of issuance of the Series 2007 Bonds will not cause any of the Series 2007 Bonds to exceed the $150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. 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), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2007 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007 Bonds. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Winston & Strawn LLP, counsel to the Obligated Group and NSLIJ, regarding the current qualification of the Institutions as organizations described in Section 501(c)(3) of the Code and that the intended operation of the facilities to be financed or refinanced by the Series 2007 Bonds does not constitute a use by the Institutions with respect to an unrelated trade or business determined by applying Section 513(a) of the Code. Such opinion is subject to a number of qualifications, limitations and exceptions. Furthermore, Winston & Strawn LLP cannot give and has not given any opinion or assurance about the future activities of the Institutions, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of any of the Institutions to be organized and operated in accordance with the IRS's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2007 Bonds in a manner that is substantially related to the Institutions' charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2007 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2007 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Series 2007 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code or court decision may also affect the market price for, or marketability of, the Series 2007 Bonds. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2007 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Institutions, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Institutions have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2007 Bonds ends with the issuance of the Series 2007 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Institutions or the Beneficial Owners regarding the tax-exempt status of the Series 2007 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Institutions and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Institutions legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007 Bonds, and may cause the Authority, the Institutions or the Beneficial Owners to incur significant expense.

PART 13 - STATE NOT LIABLE ON THE SERIES 2007 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 Series 2007 Resolutions specifically provides that the Series 2007 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

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

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2007 Bonds, by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2007 Bonds. The proposed forms of Bond Counsel's opinion regarding the Series 2007A Bonds and Series 2007B Bonds are set forth in Appendix F and Appendix G hereto, respectively.

Certain legal matters will be passed upon for each Institution, the Representative and the Obligated Group by their counsel, Winston & Strawn LLP, New York, New York, and for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2007 Bonds, neither questioning nor affecting the validity of the Series 2007 Bonds or the proceedings and authority under which they are to be issued.

PART 16 - UNDERWRITING

The Series 2007A Bonds are being purchased by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Banc of America LLC, J.P. Morgan Securities Inc., Goldman, Sachs & Co. and Ramirez & Co., Inc. (the "Underwriters"), for whom Citigroup Global Markets Inc. is acting as Representative. The Underwriters have agreed, subject to certain conditions to purchase the Series 2007A Bonds from the Authority at an aggregate purchase price of $165,172,092.70 and to make a public offering of the Series 2007A Bonds at prices that are not in excess of the public offering prices or yields stated on the inside cover page of this Official Statement.

The Series 2007B Bonds are being purchased by Citigroup Global Markets Inc. ("Citigroup") as sole manager. Citigroup has agreed, subject to certain conditions to purchase the Series 2007B Bonds from the Authority at an aggregate purchase price of $122,383,655.25 and to make a public offering of the Series 2007B Bonds at prices that are not in excess of the public offering prices or yields stated on the inside cover page of this Official Statement.

The Series 2007 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all Series 2007 Bonds if any are purchased.

PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATION

Chris D. Berens, CPA, P.C., a firm of independent public accountants, will deliver to the Authority its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Authority and its representatives. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the Trustee for the refunding of the Refunded Bonds and paying of the interest and redemption price coming due on the Refunded Bonds on or prior to their respective redemption dates as described in "PART 4 – THE PLAN OF FINANCE AND REFUNDING" and (b) the computations supporting the conclusion of Bond Counsel that the Series 2007B Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Institutions, the Representative and the Trustee have undertaken in a written agreement for the benefit of the Holders of the Series 2007 Bonds to provide to Digital Assistance 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 of the Obligated Group Members, commencing with the fiscal year ending December 31, 2007, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and, if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, financial and operating information of the type hereinafter described included in this Official Statement referred to herein as "Annual Information," together with the Obligated Group's audited combined 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 auditing standards.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Obligated Group, DAC has undertaken in a written agreement for the benefit of the Holders of the Series 2007 Bonds, on behalf of and as agent for the Institutions, the Obligated Group and the Representative, to provide 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 and the Representative, to each such Repository and to the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Holders of the Series 2007 Bonds, to provide to DAC, in a timely manner, the notices described below (the "Notices"). Upon receipt of Notices from the Authority, DAC will file the Notices to each such Repository or the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Information Depository, in a timely manner. With respect to the Series 2007 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 Obligated Group or the Representative 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 combined financial statements, Notices or any other information, disclosures or notices provided to it by the Obligated Group, the Representative or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Obligated Group, the Representative, the Holders of the Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Obligated Group, the Representative or the Authority have complied with the Continuing Disclosure Agreement, and DAC may conclusively rely upon certifications of the Obligated Group, the Representative and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement.

The Annual Information means annual information concerning the Obligated Group and, unless provided in the information provided for the Obligated Group, for each Member of the Obligated Group, which consists of (1) financial and operating data of the type included in this Official Statement, which shall include information as described in "PART 7 - THE OBLIGATED GROUP" relating to the following: (a) utilization statistics of the type set forth under the headings "Utilization"; (b) revenue and expense data of the type set forth under the headings "Summary of Historical Revenues and Expenses"; and (c) sources of patient service revenue of the type set forth under the heading "Payor Mix"; (2) data demonstrating the Long-Term Debt Service Coverage Ratio for the preceding fiscal year of the Obligated Group; and (3) such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding, the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group.

The Notices include notices of any of the following events with respect to the Series 2007 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds; (7) modifications to the rights of Holders of the Series 2007 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007 Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, if any, in a timely manner, notice of any failure by each Institution or the Representative to provide the Annual Information and annual financial statements by the date required in the Institutions' and the Representative's undertaking described above.

The sole and exclusive remedy for breach or default under the agreements to provide continuing disclosure described above is an action to compel specific performance of the undertakings of each Institution, the Obligated Group, DAC and/or the Authority, and no person, including any Holder of the Series 2007 Bonds, may recover monetary damages thereunder under any circumstances. DAC, the Representative, each Institution or the Obligated Group 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 under the Continuing Disclosure Agreement, by an owner of Outstanding Series 2007 Bonds or by the Trustee on behalf of the owners of Outstanding Series 2007 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Series 2007 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of the Series 2007 Bonds of a given Series at the time Outstanding. A breach or default under the agreement shall not constitute an Event of Default under the Resolution or the 2007 Loan Agreements. 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 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 undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The agreement, however, may be amended or modified without the consent of the Holders of the Series 2007 Bonds under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2007 Bonds will be on file at the principal office of the Authority. The continuing financial and/or operating data for the Obligated Group may be found at www.dacbond.com. For assistance accessing the information, please call DAC at (888) 824-2663.

PART 19 - RATINGS

Fitch, Inc. and Moody's Investors Service, Inc. have assigned the Series 2007 Bonds ratings of "A–" and "A3," respectively. An explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. Certain information and materials not included in this Official Statement were furnished to the rating agencies. There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies, if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the Series 2007 Bonds.

PART 20 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the Mortgages, the Master Trust Indenture, the 2007 Supplemental Indentures, the Series 2007 Obligations and the Intercreditor Agreement do not purport to be complete. Investors should refer to the Act, the General Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the Mortgages, the Master Trust Indenture, the 2007 Supplemental Indentures, the Series 2007 Obligations and the Intercreditor Agreement for full and complete details of their provisions. Copies of the General Resolution, the Series 2007 Resolutions, the 2007 Loan Agreements, the Mortgages, the Master Trust Indenture, the 2007 Supplemental Indentures, the Series 2007 Obligations and the Intercreditor Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2007 Bonds are fully set forth in the General Resolution and the Series 2007 Resolutions. Neither any advertisement of the Series 2007 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2007 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 Institutions, the Representative, the Obligated Group, the Projects and the NSLIJ System was supplied by the Institutions and the Representative. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

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

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreements," "Appendix D - Summary of Certain Provisions of the Resolution," "Appendix F - Proposed Form of Approving Opinion of Bond Counsel Related to the Series 2007A Bonds" and "Appendix G -

Proposed Form of Approving Opinion of Bond Counsel Related to the Series 2007B Bonds" have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

"Appendix E - Summary of Certain Provisions of the Master Trust Indenture and the 2007 Supplemental Indentures" has been prepared by Winston & Strawn LLP, counsel to the Obligated Group and the Representative.

The combined financial statements of the Obligated Group as of December 31, 2006 and 2005 and for the years then ended included in Appendix B have been audited by Ernst & Young LLP, independent auditors, as stated in their report therein.

Each Institution and the Representative has reviewed the parts of this Official Statement describing the Institutions, the Obligated Group, the NSLIJ System and the Representative under the heading, "INTRODUCTION," "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS," "THE SERIES 2007 BONDS," "THE PLAN OF FINANCE AND REFUNDING," "ANNUAL DEBT SERVICE REQUIREMENTS," "ESTIMATED SOURCES AND USES OF FUNDS," THE OBLIGATED GROUP" AND "RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE MEMBERS OF THE OBLIGATED GROUP". Each Institution and the Representative shall certify as of the date hereof and of delivery of the Series 2007 Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Representative has also reviewed "Appendix B - Audited Combined Financial Statements of the North Shore-Long Island Jewish Obligated Group for the Years Ended December 31, 2006 and 2005 with Report of Independent Auditors." The Representative shall certify as of the date hereof and of delivery of the Series 2007 Bonds that such Appendix does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Institutions and the Representative have agreed to indemnify the Authority, the Underwriters, 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 Obligated Group has agreed with the Authority to furnish, or cause to be furnished, no later than 60 days subsequent to the last day of each of the first three quarters in each fiscal year to (1) the Authority and (2) each Repository, the following information: (a) the unaudited combined financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flow, with unaudited combining financial statements of each Member of the Obligated Group for the balance sheet and the statement of operations; (b) utilization statistics of each Member of the Obligated Group for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) major payor mix of each Member of the Obligated Group by percentage of gross revenue. In addition, the Institutions have agreed with the Authority to furnish, or cause to be furnished, to each of the parties identified in clauses (1) and (2) above the audited financial statements of the Obligated Group within 120 days after the completion of each fiscal year. Each of the foregoing requirements may be waived, modified or amended by the Authority in its sole and absolute discretion without notice to or consent of the Holders.

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/ David D. Brown, IV
Authorized Officer

CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used herein and in the summaries of the provisions of the Master Indenture, the 2007A Supplemental Indenture, the 2007B Supplemental Indenture, the General Resolution and the Loan Agreements, the following terms have the meanings ascribed to them below.

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

Additional Indebtedness means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of Obligation No. 27 under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group;

Affiliate means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by any Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative and any joint ventures in which any of the Members or the Obligated Group Representative participates. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise;

Alternative Parity Indebtedness means indebtedness issued by the Institution or any other issuer on behalf of the Institution and secured by the pledge of, or a parity lien against or upon, the property subject to the Mortgage in accordance with the Intercreditor Agreement;

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in the amount stated in the Loan Agreement;

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, or Debt Service Reserve Fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project for an Institution, (v) with respect to any Loan Agreement, Mortgage or Obligation, the Loan Agreement, Mortgage or Obligation, as applicable, relating to a particular Project for an Institution, (vi) with respect to any Institution or Trustee, the respective Institution or Trustee identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution and (viii) with respect to any Credit Facility or Credit Facility Provider, the Credit Facility or Credit Facility Provider, if any relating to a particular Series of Bonds;

Arbitrage Rebate Fund means the fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Audited Financial Statements means as to any Member of the Obligated Group financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group will also include in an additional information section unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added;

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 will hereafter succeed to the rights, powers, duties and functions of the Authority;

Authority Fee means a fee payable to the Authority equal to the payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution;

Authorized Denomination means $5,000 and any integral multiple thereof.

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

Authorized Officer means (i) in the case of the Authority, the Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the General Counsel, the Chief Information Officer, a Managing Director, 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 an Institution, the person or persons authorized by a resolution or the by-laws of such Institution to perform any act or execute any document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee;

Authorized Representative means, with respect to the Obligated Group Representative, the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel, or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel and filed with the Master Trustee;

Balloon Long-Term Indebtedness means Long-Term Indebtedness other than a Demand Obligation 25% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date;

Bonds or *Series 2007 Bonds* means the Series 2007 Bonds and any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution;

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

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

Bond Year means, unless otherwise stated in the Applicable Series Resolution, a period of twelve (12) consecutive months beginning October 31 in any calendar year and ending on November 1 of the succeeding calendar year;

Bondholder, Holder of Bonds, Holder, *owner* or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series, except as provided in the Resolution;

Bond Trustee means The Bank of New York, a New York banking corporation and any successor to its duties under the Related Bond Indenture;

Book Value when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once;

Business Day means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed;

Capital Addition means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles;

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

Construction Fund means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Consultant means a firm or firms selected by the Obligated Group Representative which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or investment banking firm or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is not unacceptable to (i) the Master Trustee and (ii) so long as any Related Bonds are Outstanding, the Related Bond Issuer and the Related Credit Facility Issuer;

Continuing Disclosure Agreement means an agreement of the Institution to provide continuing disclosure as required by Rule 15c2-12 of the Securities and Exchange Commission;

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

Control Agreement means any agreement whereby the Obligated Group, a secured party and a banking institution have agreed in an authenticated record (such as a signed writing) that the banking institution will comply with instructions originated by the secured party directing disposition of the funds in a deposit account held by such banking institution as security for the benefit of the secured party without further consent by the Obligated Group;

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

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

Credit Facility, as used in the Master Indenture, means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness;

Credit Facility, as used in the Resolution, means any municipal bond insurance policy satisfactory to the Authority which insures payment of principal and of redemption premium, if agreed to by the Credit Facility Issuer and the Institution, and interest on the Bonds of any Series when due and issued and delivered to the Trustee or similar insurance or guarantee if so designated, all in accordance with the Applicable Series Resolution;

Credit Facility Issuer or *Credit Facility Provider* means, with respect to any Series of Bonds for which a Credit Facility is held by the Trustee, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued such Credit Facility in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility;

Cross-over Date means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness;

Cross-over Refunded Indebtedness means Indebtedness refunded by Cross-over Refunding Indebtedness;

Cross-over Refunding Indebtedness means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date;

Days-Cash-On-Hand means, for the Obligated Group, as of any date, the product of 365 times or 180 times, as the case may be, (i) the unrestricted cash and cash equivalents plus unrestricted marketable securities (in accordance with generally accepted accounting principles) as reflected in the Audited Financial Statements of the Obligated Group at December 31, including board and management designated assets and interest funds in the trusteed revenue funds which are to be applied to the current year's interest expense, divided by (ii) the operating and non-operating expenses of the Obligated Group for the twelve or six months, as the case may be, excluding from such expenses: (a) depreciation and amortization of debt and bond issuance costs, (b) any amount included in the operating and non-operating expenses representing bad debt expense, (c) any extraordinary or non-recurring item, (d) unrealized gains and losses on investments (including "other than temporary impairment of marketable securities"), and (e) unrealized gains and losses on Derivative Agreements of a Member of the Obligated Group;

Debt Service Fund means each such fund so designated and established by the Applicable Series Resolution 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, at the time of issuance of the Series 2007A Bonds and the Series 2007B Bonds, an amount equal to 125% of the average annual debt service requirement of the combined debt service requirements of the Series 2007A Bonds and the Series 2007B

Bonds. Such amount will then be allocated between the Series 2007A Bonds and the Series 2007B Bonds based on a pro-rated allocation of 125% of the average annual debt service requirement for such Series of Series 2007 Bonds. Once such allocation is made to the Series 2007A Debt Service Reserve Fund and the Series 2007B Debt Service Reserve Fund, such amount will represent the maximum amount which will be required to be on deposit in each respective Debt Service Reserve Fund (respectively, the "Initial DSRF"). The respective Debt Service Reserve Fund Requirements are equal to the lesser of (i) the Initial DSRF, and (ii) as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (a) interest on such Outstanding Series of Bonds payable during such year, calculated using a rate of interest on the Series 2007B Bonds equal to the Swap Rate, and (b) the principal and Sinking Fund Installments of such Series of Bonds payable on or prior to May 1 of such year. To the extent that either the Series 2007A Debt Service Reserve Fund or the Series 2007B Debt Service Reserve Fund has a surplus based on a calculation made pursuant to the preceding sentence, such surplus shall first be transferred to the other Debt Service Reserve Fund to fund any deficiency therein prior to any release.

Defeasance Obligations means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, and (v) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury or Resolution Funding Corp. or securities stripped by the Federal Reserve Bank of New York;

Defeasance Security means (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which 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) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or 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 (other than obligations the payment of the principal of which is not fixed as to amount or time of payment) 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 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) which are rated by Moody's and Standard & Poor's in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term will not mean any interest in a unit investment trust or mutual fund;

Defeased Municipal Obligations means obligations of state or local government municipal bond issuers rated the highest rating by S&P, Fitch or Moody's, respectively, provision for the payment of the principal of and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers;

Defeased Obligations means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement;

Demand Obligation means any Indebtedness the payment of all or a portion of which is subject to the demand 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 the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

Derivative Agreement means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty;

Derivative Period means the period during which a Derivative Agreement is in effect;

Escrowed Interest means amounts of interest on Long Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest;

Escrowed Principal means amounts of principal on Long Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal;

Event of Default means any one or more of those events set forth in the Master Indenture;

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

Excluded Property means any Property that is not Health Care Facilities of the Obligated Group;

Exempt Obligation means 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 (i) is excludable from gross income under Section 103 of the Code and (ii) is not an item of tax preference within the meaning of Section 57(a)(5) of the Code;

Facility Provider means the issuer of a Reserve Fund Facility delivered to the Trustee pursuant to the Resolution;

Fiscal Year means the fiscal year of each Member of the Obligated Group, which will be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year will be the period set forth in such notice;

Fitch means Fitch, Inc., its successors and their assigns, and, if such entity will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee;

Governing Body means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised;

Government Obligation means a direct obligation of the United States of America, an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America is pledged, an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; (i) Federal National Mortgage Association, and (j) upon the approval of the Authority and all Applicable Credit Facility Issuers, (A) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (B) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least "A" by S&P and Moody's at all times;

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project or the Mortgaged Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over the Project or any part thereof, Mortgaged Property or any part of either including, but not limited to, Article 28 and 28-B of the Public Health Law of the State of New York;

Governmental Restrictions means federal, state or other applicable governmental laws, regulations, rulings, judgments, court orders or consent decrees affecting any Member of the Obligated Group and its health care facilities including (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on (i) the fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges;

Gross Receipts as used in the Master Indenture means all receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group and all other amounts available to a Member of the Obligated Group from any other source, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property and the rights to receive the same whether in the form of accounts, payment on tangibles, contract rights, general intangibles, healthcare insurance receivables, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; *provided*, Gross Receipts will not include (i) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, and any income derived therefrom to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with (A) paying debt service on an Obligation or (B) meeting any commitment of a Member under a Related Loan Agreement; (ii) funds which are established and maintained with fees collected in private practice by physicians who are employed by a Member of the Obligated Group or (iii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, contract rights, payment on tangibles, general tangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired derived from the Excluded Property which constitutes real property;

Gross Receipts Revenue Fund means the fund established pursuant to the Master Indenture;

Guaranty means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group will have executed and delivered its Guaranty will, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty will have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there will have occurred a payment by any Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made will be taken into account;

Health Care Facilities means the Mortgaged Property and any other Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance, diagnosis and treatment of patients or to otherwise provide health care and services. Any Property whose primary function or functions is other than the care, maintenance diagnosis and to treatment of patients providing health care services and which has incidental health care services provided on its premises, will not be deemed to be Health Care Facilities;

Holder means an owner of any Obligation issued in other than bearer form;

Income Available for Debt Service means, with respect to the Obligated Group, as to any period of twelve (12) consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; *provided, however*, that (1) no determination thereof will take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments (including other than temporary impairment of marketable securities), (c) the termination value of, as well as unrealized gains and losses on, Derivative Agreements of a Member of the Obligated Group, or (d) any extraordinary or non-recurring item, including payments on a called Guaranty, and (2) revenues will not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness;

Indebtedness means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group and, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness will not include obligations of any Member of the Obligated Group to another Member of the Obligated Group;

Institution means each of North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainview Hospital, Forest Hills Hospital and North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation, each a not-for-profit hospital corporation;

Insurance Consultant means a firm or Person selected by the Obligated Group Representative which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs, the term "Insurance Consultant" will include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate;

Intercreditor Agreement means the Intercreditor Agreement, dated as of August 1, 2003 as amended, by and among the Members of the Obligated Group, the Authority, the Nassau County Industrial Development Agency, the Representative, The Bank of New York, as trustee for the other Outstanding Related Bonds, and the Bank of New York, as security agent;

Interest Payment Date means (i) with respect to the Series 2007A Bonds, each May 1 and November 1, and (ii) with respect to the Series 2007B Bonds, each February 1, May 1, August 1 and November 1. If any such date is not a Business Day, the Interest Payment Date shall be the succeeding Business Day;

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

Lien means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group;

Loan Agreement means each Loan Agreement, dated as of April 25, 2007, by and between the Authority and each Institution relating to the loan of proceeds of Series 2007 Bonds;

Long-Term Debt Service Coverage Ratio means for any period of time the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service;

Long-Term Debt Service Requirement means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof a period of thirty (30) years) on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity will be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least "A" by Moody's, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year will be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness the interest on such Indebtedness will be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period will be the initial rate at which such Indebtedness is issued and thereafter will be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility will not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of "Guaranty" in the Master Indenture;

(v) with respect to Indebtedness for which a Member of the Obligated Group will have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness, the principal or notional amount of such Derivative Agreement will be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counter party of the Derivative Agreement has not defaulted on its payment obligations thereunder will be calculated by adding (a) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period will be the initial rate at which such Indebtedness is issued), and (b) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period will be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (c) the amount of interest payable by the counter party of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period will be the initial rate at which interest is payable under such Derivative Agreement); *provided, however*, that to the extent that the counter party of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group will be the interest calculated as if such Derivative Agreement had not been executed; and

(vi) with respect to a Derivative Agreement that does not relate to underlying Indebtedness which has been entered into by any Member of the Obligated Group, the principal or notional amount of such Derivative Agreement will be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counter party of the Derivative Agreement has not defaulted on its payment obligations thereunder, will be calculated by taking (a) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (b) the amount of interest payable by the counter party of the Derivative Agreement at the rate specified in the Derivative Agreement;

provided, however, that Escrowed Interest and Escrowed Principal will be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of "Long-Term Debt Service Requirement", in no event will any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once;

Long-Term Indebtedness means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness;

Mandatory Tender means an event which requires Series 2007 Bonds to be tendered for purchase in accordance with the Bond Series Certificate.

Master Indenture means the Master Trust Indenture dated as of July 1, 1998, as amended and restated as of August 1, 2003, including any other amendments or supplements thereto;

Master Trustee means The Bank of New York, New York, New York (as successor in interest to the United States Trust Company of New York), and its successors in the trusts created under the Master Indenture;

Maximum Annual Debt Service means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year;

Member of the Obligated Group or *Member* means each of North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital f/k/a/ North Shore University Hospital at Glen Cove, Plainview Hospital f/k/a North Shore University Hospital at Plainview, Forest Hills Hospital f/k/a/ North Shore University Hospital at Forest Hills and North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation f/k/a North Shore University Hospital for Extended Care and Rehabilitation and any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture;

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee;

Mortgage means the Mortgage or Mortgages, as the case may be, granted by each Institution in connection with its Loan Agreement in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property, as security for the performance of the Institution's obligations under the Loan Agreement with respect to the Series 2007 Bonds, as such Mortgages may be amended or modified from time to time;

Mortgaged Property means the real property, fixtures, personal property and other property interests described in and mortgaged pursuant to the Mortgage;

Non-Recourse Indebtedness means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group;

Obligated Group means, collectively, the Members of the Obligated Group;

Obligation means the evidence of particular Indebtedness issued under the Master Indenture as a joint and several obligation of each Member of the Obligated Group. Obligation may also include the evidence or a particular obligation of each Member of the Obligated Group under a Derivative Agreement;

Officer's Certificate means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer's Certificate presented pursuant to the Master Indenture will state that it is being delivered pursuant to (and will identify the section or subsection of), and will incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer's Certificate will state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or will state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith;

Operating Assets means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by each Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes;

Opinion of Bond Counsel means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer;

Opinion of Counsel means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee;

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any Bond cancelled by the Applicable 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 has been authenticated and delivered pursuant to the Resolution;

Outstanding means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; *provided, however*, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative will be deemed not to be Outstanding, *provided further, however*, that for the purposes of determining whether the Master Trustee will be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned will be deemed to be not Outstanding;

Paying Agent means, with respect to an Applicable Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of an Applicable Series Resolution, an Applicable Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents will be so appointed;

Permitted Encumbrances means (i) the Loan Agreement, (ii) the Resolution, (iii) the Mortgage, (iv) any instrument recorded pursuant to the Loan Agreement, (v) all Obligations entered into by the Institution under the Master Indenture, (vi) any other encumbrances or matters approved in writing by the Authority subject to compliance with applicable Governmental Requirements, (vii) those matters referred to in any title insurance policy described in the Loan Agreement and accepted by the Authority, and (viii) any Permitted Liens allowed under the Master Indenture subject to compliance with all applicable Governmental Requirements and the security interests provided for in the Loan Agreement;

Permitted Liens shall have the meaning given to such term found in the summary of the Master Indenture under the heading "Limitations on Creation of Liens";

Person means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity;

Project means any eligible hospital project, nursing home project or other project qualified under the Act or otherwise qualified for funding by the Authority through the issuance of obligations under the laws of the State of New York and with respect to the Series 2007 Bonds, the Project as set forth in each of the Loan Agreements;

Projected Period means (i) in the case of Indebtedness incurred to finance a capital addition or any repair to Operating Assets, each of the two full Fiscal Years following the date such capital addition or repair is estimated to be installed or completed and (ii) in the case of Indebtedness incurred for any other purpose, each of the two full Fiscal Years following the date such Indebtedness is proposed to be incurred; provided that the Projected Period will, in connection with the Related Bonds issued by the Authority, at the option of the Authority, be for such other period as the Authority may determine;

Property means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated;

Property, Plant and Equipment means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles;

Provider Payments means any payments made by a Facility Provider pursuant to its Reserve Fund Facility;

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized 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 nationally recognized rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized 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 nationally recognized rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized 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 the Student Loan Marketing Association or any successor thereto or any other federal agency or instrumentality approved by the Authority; or

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

Rating Service(s) means S&P, Moody's, Fitch or any other nationally recognized statistical rating organization which will 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 Applicable Series Resolution authorizing an Applicable Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteen (15th) day (whether or not a business day) of the month preceding each interest payment date;

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

Refunding Bonds means all Bonds, whether issued in one or more Applicable Series of Bonds, authenticated and delivered pursuant to the Resolution, and originally issued pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds;

Related Bond Indenture means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued;

Related Bond Issuer means the issuer of any issue of Related Bonds;

Related Bonds means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (i.e., a "Related Bond Issuer") ("governmental issuer"), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer;

Related Bond Trustee means the trustee and its successors in the trusts created under any Related Bond Indenture;

Related Credit Facility Issuer means the Credit Facility Issuer with respect to any issue of Related Bonds;

Related Loan Agreement means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group;

Repository means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the United States Securities and Exchange Commission for the purposes referred to in its Rule 15c2-12 under the Securities Exchange Act of 1934;

Representative or *Obligated Group Representative* means North Shore-Long Island Jewish Healthcare, Inc., formerly known as North Shore Health System, a New York not-for-profit corporation;

Required Ratios means a Long-Term Debt Service Coverage Ratio and Days Cash on Hand, as required by the 2007A Supplemental Indenture and the 2007B Supplemental Indenture;

Reserve Fund Facility means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund authorized to be delivered to the Trustee pursuant to the Resolution;

Resolution or *General Resolution* means the "North Shore Health System Obligated Group Revenue Bond Resolution," adopted by the Authority on June 24, 1998, as amended, supplemented or modified pursuant to the terms thereof;

Revenues means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, or payable by the Obligated Group to the Authority pursuant to an Applicable Obligation, which are assigned by the Resolution to the Trustee by the Authority and pursuant to the Loan Agreement and the Obligation 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);

S&P means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee;

Securities means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, as the time an investment therein is made or such security is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's or "AA" or better by S&P or is rated which a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) with the consent of the Credit Facility Issuers, common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's or "AA" by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and the Credit Facility Issuer;

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

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

Series 2007A Obligation means the Obligation issued pursuant to the Master Indenture and numbered 26;

Series 2007B Obligation means the Obligation issued pursuant to the Master Indenture and numbered 27;

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

Short-Term Indebtedness means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less;

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

State means the State of New York;

Subordinated Debt means Indebtedness the payment of which is evidenced by instruments, or issued under an indenture or other document, containing specific provisions subordinating such Indebtedness to the Obligations, including following any event of insolvency by the debtor or following acceleration of such Indebtedness;

Supplement means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture;

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

Swap Rate means the rate or rates of interest paid by the Institutions pursuant to one or more interest rate exchange agreements relating to the Series 2007B Bonds.

Tax-Exempt Organization means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect;

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

Total Operating Revenues means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied;

Transfer means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt;

Trustee means a bank or trust company appointed as Trustee for a Series of the Bonds pursuant to the Applicable Series Resolution or the Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution. The Trustee for the Series 2007 Bonds is The Bank of New York, a New York banking corporation and any successor to its duties under the Resolution;

2007A Supplemental Indenture means the Supplemental Indenture for Obligation No. 26;

2007B Supplemental Indenture means the Supplemental Indenture for Obligation No. 27; and

Variable Rate Indebtedness means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

Audited Combined Financial Statements of the North Shore-Long Island Jewish Obligated Group for the Years Ended December 31, 2006 and 2005 with Report of Independent Auditors

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a brief summary of certain provisions of each Loan Agreement. Each Loan Agreement contains terms and provisions similar to the terms and provisions contained in the other Loan Agreement. Such summary does not purport to be complete or definitive and reference is made to the respective Loan Agreements for full and complete statements of such and all provisions. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Loan Agreements. Defined or definitive terms used herein have the meanings ascribed to them in Appendix A.

Termination

The Loan Agreement will remain in full force and effect until no Series 2007 Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution have been made or provision made for the payment thereof; *provided, however,* that the provisions found under the caption "Arbitrage" and the liabilities and the obligations of the Institution to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement will nevertheless survive any such termination. Upon such termination, an Authorized Officer of the Authority will deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of its 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 41)

Project Financing

The Authority agrees to use its best efforts to issue and deliver the Series 2007 Bonds. The proceeds of the Bonds will be applied as specified in the Resolution, the Series Resolution or the Bond Series Certificate relating to the Series 2007 Bonds.

(*Section 4)*

Construction of Project

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series Resolution and under the Loan Agreement, the Institution will complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project in connection with which the Authority has issued Bonds, substantially in accordance with the Contract Documents relating thereto. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority and the Commissioner of Health, which approval will not be unreasonably withheld. The Authority shall have no obligation to issue Additional Bonds or provide additional funds other than the moneys available to the Institution under the provisions of the Resolution or under the Loan Agreement.

Project Allocation. The Institution may, with the consent of both the Authority and the Department of Health, amend the Project budget to provide that moneys previously allocated to a portion of the Project owned by the Institution will instead be expended for portions of the other Projects that are owned by the other Institutions and that are eligible to be financed with proceeds of the Series 2007 Bonds. In each case, *provided however,* any such reallocation will not affect or alter the amount of the Series 2007 Bonds which are obligations of each Institution under their respective Loan Agreement, as set forth therein.

(Section 5)

Amendment of the Project; Sale or Conveyance of the Project or Mortgaged Property; Additional Bonds

The Project may be amended by agreements supplementing the Loan Agreement and upon compliance with Governmental Requirements and with the prior written consent of an Authorized Officer of the Authority and the Department of Health to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake.

Except as provided in the Loan Agreement, the Institution covenants that it will not transfer, sell, encumber or convey any interest in the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without complying with Governmental Requirements and obtaining the prior written consent of the Authority. In addition, the Institution may remove, transfer, sell or convey equipment, furniture or fixtures in the Project, or which comprise a part of the Project, provided that, unless otherwise approved by the Authority and the Department of Health, 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 the property being so removed, transferred, sold or conveyed constitutes furnishings not essential to the operation of the Mortgaged Property.

The Authority, upon the request of the Institution, may, but is not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the applicable account in the Construction Fund. Nothing contained in the Loan Agreement or in the Resolution is to be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent to reserve to the Authority full and complete discretion to decline to issue such Bonds.

(Section 6)

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

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

(a) On or before the date of delivery of the Series 2007 Bonds, payment of its proportionate share of the Authority Fee and the Department of Health fee;

(b) On or before the date of delivery of the Series 2007 Bonds, such amount, if any, as is required in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(c) With respect to Bonds the interest on which is paid semiannually, on the first (1st) day of each month commencing on the first (1st) day of the sixth (6th) month immediately preceding the date on which such interest on the Series 2007 Bonds becomes due, one-sixth (1/6) of the Institution's proportionate share of the interest coming due on the Bonds on the immediately succeeding Interest Payment Date for such Bonds; *provided, however*, that, if there are less than six (6) such payment dates prior to the first such interest payment date on the Bonds, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to its proportionate share of the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds;

(d) With respect to Bonds bearing interest at a LIBOR-Based Interest Rate, the interest on which is paid quarterly, on the first (1st) day of each month commencing on the first (1st) day of the third (3rd) month immediately preceding the date on which such interest becomes due, one-third (1/3) of the Institution's proportionate share of the interest coming due on the Bonds on the immediately succeeding Interest Payment Date for such Bonds; provided, however, that, if there are less than three (3) such payment dates prior to the first such interest payment date on the Bonds, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to its proportionate share of the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds;

(e) On the first (1st) day of each month commencing on the first (1st) day of the twelfth month immediately preceding the date on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the Institution's proportionate share of the principal and Sinking Fund Installments on the Bonds coming due on the next principal payment date or date on which a Sinking Fund Installment is due; *provided, however*, that, if there are less than twelve (12) such payment dates prior to the date on which principal or Sinking Fund Installments come due on the Bonds, on each payment date prior to the date on which such principal or Sinking Fund Installment is due the Institution shall pay with respect to such Bonds an amount equal to the Institution's proportionate share of the principal and Sinking Fund Installments of such Bonds coming due on such date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such next principal payment date or date on which a Sinking Fund Installment is due;

(f) Unless waived by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds or Bonds contracted to be purchased, is to be paid, the amount required to pay the Institution's proportionate share of the Redemption Price or purchase price in lieu of redemption of such Bonds;

(g) On December 10 of each Bond Year, commencing December 10, 2007, one-half (1/2) of the Institution's proportionate share of the Annual Administrative Fee payable, in arrears, during such Bond Year in connection with the Series 2007 Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year;

(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 pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, the Mortgage, the Resolution, the Master Indenture and the Series 2007 Obligations and any other Obligations issued under the Master Indenture securing any Bonds in accordance with the terms thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys fees in connection with performance of their duties under the Resolution, and (v) 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;

(i) Promptly upon demand by an Authorized Officer of the Authority (a copy of which will be furnished to the Trustee), the Institution's proportionate share of all amounts required to be paid by the Institution as a result of an acceleration pursuant to the provisions described under the caption "Defaults and Remedies" below;

(j) Promptly upon demand by an Authorized Officer of the Authority, Institution's proportionate share of the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds;

(k) On the Business Day immediately preceding an Interest Payment Date, if the amount on deposit in the Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such Interest Payment Date, the Institution's proportionate share of the amount of such deficiency; and

(l) On June 10, 2007 and on the tenth day of each month thereafter, an amount equal to one-twelfth (1/12) of the Institution's proportionate share of the annual Department of Health fee as described in the regulations of the Commissioner of Health.

Subject to the provisions of the Resolution and the Loan Agreement, the Institution will receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (c) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through Sinking Fund Installments on the next succeeding May 1, the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such May 1. The amount of the credit will be equal to the Institution's proportionate share of the principal amount of the Bonds so delivered.

The Authority directs the Institution, and the Institution agrees, to make the Institution's proportionate share of the payments required by paragraphs (c), (d), (e), (f), (g) and (h) above directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (b) above directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraph (a) above directly to the Authority, and the payments required by paragraph (l) above, directly to the Commissioner of Health.

The Institution agrees that it is also obligated to make all payments when due on the Series 2007 Obligations to the holders of the Series 2007 Obligations, and that the applicable holders will be entitled to so receive all payments when due on the Series 2007 Obligations, it being the intention of the parties to the Loan Agreement that the Series 2007 Obligations and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Series 2007 Obligations, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Trustee pursuant to the Series 2007 Obligations relating to the Institution's proportionate share of the Series 2007 Bonds, will serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Series 2007 Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement will serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Series 2007 Obligations.

The Institution further agrees that it is obligated (after crediting the equity contributed by each Institution under their respective Loan Agreement) to make equity contributions as are required in connection with the issuance of the Series 2007 Bonds and the completion of each Institution's Project, which amounts are set forth in the Loan Agreement.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this subdivision), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee will be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this subdivision), (i) all moneys paid by the Institution to the Trustee pursuant to paragraphs (c), (d), (e), (f), (g) and (h) in the preceding paragraph 1. (other than moneys received by the Trustee pursuant to the section of the Resolution pertaining to compensation of the Trustee, which will be retained and applied by the Trustee for its own account) will 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 (e) of this subdivision) 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 will 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 Redemption Price or Purchase Price of the Bonds to the extent of the amount of moneys transferred. Except as otherwise provided in the Resolution, the Trustee will hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of the Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of the Bonds.

3. The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement will be complete and unconditional and the amount, manner and time of making such payments will not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee, or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds or any Series of Bonds are, or the Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; *provided, however,* that nothing in the Loan Agreement will 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 fails 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 has 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 available in the Construction Fund established for such Project.

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

4. The Authority has the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the provisions described under this caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" which has not been made by the Institution when due. No such payment by the Authority will limit, impair or otherwise affect the rights of the Authority under the provisions found under the caption "Defaults and Remedies" below arising out of the Institution's failure to make such payment and no payment by the Authority will be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

5. The Institution, if it is not then in default under the Loan Agreement, will have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid will be deposited in accordance with the directions of an Authorized Officer of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in a Debt Service Fund made pursuant to the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; *provided, however,* that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

Reserve Fund

Except to the extent a deposit is made to the Debt Service Reserve Fund upon the issuance of the Series 2007 Bonds from the proceeds of the sale of such Bonds, simultaneously with the issuance of the Series 2007 Bonds the Institution will deliver to the Trustee for deposit in the Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations the value of which is at least equal to the Debt Service Reserve Fund Requirement. The Institution agrees that it will at all times provide funds to the Trustee sufficient to maintain on deposit in the Debt Service Reserve Fund an amount at least equal to its proportionate share of the Debt Service Reserve Fund Requirement; *provided, however,* that the Institution will 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 upon receipt of the notice required by the Resolution.

Notwithstanding the foregoing, the Institution may deliver to the Trustee for deposit to the Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of its proportionate share of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by 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 will constitute a pledge thereof, and will 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.

All Government Obligations, Exempt Obligations or other Securities deposited with the Trustee pursuant to the Loan Agreement for deposit to a Debt Service Reserve Fund will be fully negotiable (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto will be payable to bearer or to the registered owner. All Government Obligations, Exempt Obligations or other Securities in registered form will be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations, Exempt Obligations or other Securities will be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Institution pursuant to the Loan Agreement appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Institution agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Institution will deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations, Exempt Obligations or other Securities as contemplated by the Loan Agreement or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

(Section 10)

Incurrence of Alternative Parity Indebtedness

Alternative Parity Indebtedness may only be incurred under the Loan Agreement, to the extent permitted by law, with the written consent of the Authority and in accordance with the provisions of the Master Indenture.

(Section 11)

The Mortgage; Lien on Fixtures, Furnishings and Equipment

The Institution will execute and deliver to the Authority the Mortgage in recordable form, acceptable to an Authorized Officer of the Authority, to secure all obligations and liabilities of the Institution under the Loan Agreement.

As further security for all obligations and liabilities of the Institution under the Loan Agreement, the Institution will grant to the Authority a security interest in such fixtures, furnishings and equipment owned by the Institution which then are or thereafter will be (i) located in or on any Mortgaged Property or (ii) used in connection therewith as may be acceptable to an Authorized Officer of the Authority, and in all proceeds thereof and in all fixtures, furnishings and equipment that are owned by the Institution which may be substituted therefor. The Institution covenants that such fixtures, furnishings and equipment and replacements and proceeds thereof owned by the Institution will at the time the security interest therein is granted to the Authority be free from any other security interest, other than Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee or the Master Trustee, the Authority and the Department of Health, without the consent of the Trustee or the Holders of any of the Bonds, may consent to (i) the amendment, modification, release, termination or satisfaction of the Mortgage and, the release of real property and fixtures subject to the Mortgage or other security interest from the lien thereof all upon such terms and conditions as the Authority may require and (ii) the release or subordination of any security interest evidenced by the Mortgage in any furnishings or equipment.

The Institution covenants it will not transfer, sell or convey any interest in any furnishings or equipment located in or on or used in connection with the Mortgaged Property without complying with Governmental Requirements and without the prior approval of an Authorized Officer of the Authority or, in the event the Mortgage has been assigned to the Trustee or the Master Trustee, without the prior approval of the Trustee or the Master Trustee.

If any Mortgaged Property or any interest therein is disposed of while Bonds are Outstanding, the Institution will, absent a prior written agreement with the Authority as to the replacement of such Mortgaged Property or interest therein, pay the net proceeds of such disposition to the Trustee for deposit in the Debt Service Fund. Notwithstanding the foregoing, the Institution may remove, transfer, sell or convey equipment, furniture or fixtures in Mortgaged Property provided that, unless otherwise approved by the Authority, the Institution substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced or the property being so removed, transferred, sold or conveyed constitutes furnishings not essential to the operation of the Mortgaged Property.

(Section 12)

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

The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (c), (d), (e), (f), (g) and (h) of paragraph 1 under the above caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" and any or all security interests granted by the Institution under the Loan Agreement, including without limitation the Mortgage, the Series 2007 Obligations and any security interest in the fixtures, furnishings and equipment, as their interests may appear. The Government Obligations, Exempt Obligations and other Securities pursuant to the provisions of subdivision 1 under the above caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the above caption "Reserve Fund" and all funds and accounts established by the Resolution and pledged thereby 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 will be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by the provisions under this caption "Consent to Pledge and Assignment by the Authority," 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 will 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 or any pledge made or security interest granted by the Loan Agreement will 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.

The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws or resolutions duly adopted pursuant thereto to enter into the Loan Agreement, the Mortgage, the Master Indenture and the Continuing Disclosure Agreement, to incur the indebtedness contemplated in the Loan Agreement and to pledge, grant a security interest in and assign to the Authority and the Trustee for the benefit of the Holders of the Bonds, the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement in the manner and to the extent provided in the Loan Agreement and in the Resolution, subject to federal and State laws and regulations which limit security interests in Medicaid and Medicare receivables. The Institution further covenants, warrants and represents that except with respect to Additional Bonds or Alternative Parity Indebtedness, any and all pledges, security interests in and assignments made or to be made pursuant to the Loan Agreement are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, other than the Permitted Encumbrances, prior to, or of equal rank with, the pledge, security interest or assignment granted or made pursuant to the Loan Agreement or to the Mortgage (subject, however, to federal and State laws and regulations which limit security interests in Medicaid and Medicare receivables), 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 and the Mortgage are and will be valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it will at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement and all of the rights of the Authority under the Loan Agreement and the Holders of Bonds under the Resolution 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 the consummation of the transaction contemplated in the Loan Agreement and compliance with the provisions of the Loan Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations and Securities delivered to the Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is a 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.

(Section 14)

Tax-Exempt Status

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it will not perform any act or enter into any agreement which will adversely affect such federal income tax status and will 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 will not perform any act or enter into any agreement which could adversely affect the exclusion of interest on any of the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 15)

Maintenance of Corporate Existence

The Institution covenants that, except as permitted under the Master Indenture, it will maintain its corporate existence, will continue to operate as a not-for-profit organization as set forth in its certificate of incorporation, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the Institution as an institution as set forth in its certificate of incorporation, providing such services as it may from time to time determine, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; *provided, however,* that if no Event of Default has occurred and is continuing and prior written notice has been given to the Authority and the Trustee, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; *provided, however,* (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of Bond Counsel adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and the Mortgage and furnishes to the Authority a certificate and an opinion of counsel to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and will meet the requirements of the Act, and (d) the surviving, resulting or transferee entity, as the case may be, will provide the Authority with such other certificates and opinions as may reasonably be required by the Authority.

In addition to the above, the sale, transfer, consolidation, merger, acquisition or other disposition of the Mortgaged Property, or any change in the operator or in the control of the Institution will be subject to and will be accomplished in compliance with all Governmental Requirements.

(Section 17)

Use of Project

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

(Section 19)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof will 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 will not prohibit the free exercise of any religion; and *provided, further*, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction will not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether the Project or any portion thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution agrees that prior to any disposition of any portion of the Project for less than fair market value, it will execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) will 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 will 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 will 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 will also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction will be without any force or effect. For the purposes of the provisions under this caption "Restrictions on Religious Use," an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, will be considered a sale for the fair market value thereof.

(Section 20)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it will, at its own expense, hold, operate and maintain the Project and the Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project and the Mortgaged Property may be properly and advantageously conducted. The Institution will have the right to remove or replace any type of fixtures, furnishings and equipment in the Project which may have been financed by the proceeds of the sale of Bonds provided the Institution substitutes for any removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

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

(Section 22)

Covenant as to Insurance

1. The Institution will procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions providing services similar to those provided by the Institution. All policies of insurance required under this caption "Covenant as to Insurance" will be primary to any insurance maintained by the Authority.

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

(a) with respect to any building on the Mortgaged Property the construction of which will not have been completed (and until insurance is procured pursuant to paragraph (b) of this subdivision), all risk builders' risk insurance against direct physical loss or damage or with respect to the acquisition and installation of equipment or machinery in lieu of all risk builders' risk, an installation floater on an all risk basis. The amount of such insurance will be on a one hundred percent (100%) replacement value basis on the insurable portion;

(b) at all times (except during a period when builders' risk insurance is in effect as required by paragraph (a) of this subdivision 2), all risk property insurance against direct physical loss or damage to the Project and/or the Mortgaged Property in an amount not less than one hundred percent (100%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; *provided, however*, that the inclusion of the Project or the Mortgaged Property under a blanket insurance policy or policies of the Institution insuring against the aforesaid hazards in an amount aggregating at least one hundred percent (100%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under the New York standard forms, will constitute complete compliance with the provisions of this paragraph with respect to the Project or the Mortgaged Property; *provided further*, that in any event, each such policy will be in an amount sufficient to prevent the Institution and the Authority from becoming co-insurers under the applicable terms of such policy;

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

(d) at all times, statutory disability benefits;

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

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

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

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

3. Any insurance procured and maintained by the Authority or the Institution pursuant to the provisions under this caption "Covenant as to Insurance," 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 provisions under this caption "Covenant as to Insurance" 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, will be conclusive.

4. No provision under this caption "Covenant as to Insurance" will 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 will not cover property, plant and equipment. The Institution will also cause an annual evaluation of such self-insurance plans to be performed by an independent insurance consultant. The Institution will provide adequate funding of such self-insurance if and to the extent recommended by such insurance consultant and approved by the Authority.

5. Each policy maintained pursuant to the Loan Agreement will provide that the insurer writing such policy will provide at least thirty (30) days' notice in writing to the Authority of the cancellation or non-renewal of or material change in the policy unless a lesser period of notice is expressly approved in writing by the Authority. The Institution, not later than November 15 of each year, will provide to the Authority and the Insurer certificate(s) of insurance describing all policies of insurance maintained as of June 30 by the Institution as set forth above under paragraph 2. of this caption "Covenant as to Insurance" stating with respect to each such policy (i) the insurer, (ii) the insured parties or loss payees, (iii) the level of coverage, and (iv) such other information as the Authority may have reasonably requested.

6. In the event the Institution fails to provide the insurance required under this caption "Covenant to Insurance," the Authority may effect at any time thereafter to procure and maintain the required insurance at the expense of the Institution.

(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 such Project or Mortgaged Property, which substantially impairs the use of such Project or Mortgaged Property or part thereof for its intended purpose, or which results in the receipt by the Institution of insurance, condemnation or eminent domain proceeds that, pursuant to the Master Indenture, are required to be applied to repair or replace the Project or the Mortgaged Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award will be paid upon receipt thereof by the Institution or the Authority, and subject to the terms of the Intercreditor Agreement, to the Trustee for deposit in the Construction Fund established in connection with such Project, and

1. if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution and the Authority agree in writing that the Project, the Mortgaged Property or the affected portion thereof will be repaired, replaced or restored and a certificate of an Authorized Officer of the Institution, which certificate has been reviewed by the Authority, stating that adequate resources are available to comply with the covenants and provisions of the Master Indenture after such repair, replacement or restoration is undertaken, the Institution will 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 will be appropriate to the needs of the Institution and approved in writing by the Authority. The funds required for such repair, replacement or restoration will be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institution; or

2. if no agreement for the repair, restoration or replacement of the Project, the Mortgaged Property or the affected portion thereof will be reached by the Authority and the Institution within such 120-day period, all respective proceeds (other than the proceeds of builders' risk insurance which will be deposited pursuant to the Resolution and the applicable Series Resolution or Bond Series Certificate) will be delivered to the Trustee for deposit to the Debt Service Fund for application at the direction of the Authority in accordance with the Resolution.

(Section 24)

Taxes and Assessments

The Institution will pay when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Institution or any of its property. The Institution will file exemption certificates as required by law. The Institution agrees to exhibit to an Authorized Officer of the Authority within ten (10) days after written demand by such Authorized Officer, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; *provided, however,* the good faith contest of such impositions and deposits with the Authority of the full amount of such impositions will be deemed to be complete compliance with the requirement. Notwithstanding the foregoing, the Authority in its sole discretion, after notice in writing to the Institution, may pay any charges, taxes and assessments which may be levied or assessed upon the Project or the Mortgaged Property and which are not paid by the Institution when due, unless the imposition of such charges, taxes or assessments are being contested in good faith and the Institution has deposited with the Authority the full amount of such charges, taxes or assessments. 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" means:

(a) the Institution defaults in the timely payment of any amount payable pursuant to the Loan Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days;

(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 has been given by the Authority or the Trustee, provided that, if, in the determination of the Authority, such default cannot be corrected within such thirty (30) day period but can be corrected by appropriate action, it will not constitute an Event of Default if corrective action is instituted by the Institution within such period and is diligently pursued until the default is corrected;

(c) as a result of any default in payment or performance required of the Institution or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority will 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) has been declared under the Resolution so long as such default or Event of Default remains uncured or the Trustee or Holders of the Series 2007 Bonds will be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the Institution is in default under the Mortgage, or the Obligated Group will be in default under the Master Indenture or under any Obligation issued under the Master Indenture, and in either case such default continues beyond any applicable grace period;

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

(f) a court or governmental authority of competent jurisdiction will 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 will 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 will be filed against the Institution and such petition will not be dismissed within ninety (90) days;

(g) the charter of the Institution will be suspended or revoked;

(h) a petition to dissolve the Institution will be filed by the Institution with the Secretary of State of the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution;

(i) an order of dissolution of the Institution will be made by the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution which order will remain undismissed or unstayed for an aggregate of thirty (30) days;

(j) a petition is 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 will remain undismissed or unstayed for an aggregate of ninety (90) days;

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

(l) a final judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Series 2007 Bonds is rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (i) such judgment will not have been discharged, or (ii) the Institution will 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 will have been granted or entered, and will not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default, the Authority will provide written notice of such Event of Default to the Trustee and the Department of Health upon receiving knowledge thereof, *provided, however,* that failure to give such notice will in no manner impair or diminish the Authority's ability to take any action under the Loan Agreement. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(a) declare all sums payable by the Institution under the Loan Agreement or under the Series 2007 Obligations relating to the Series 2007 Bonds immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Series 2007 Bonds or any Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

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

(d) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all members of the Obligated Group under the Master Indenture or the Series 2007 Obligations to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Mortgage, the Master Indenture or the Series 2007 Obligations;

(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 Institution's proportionate share of the payment of the principal, Sinking Fund Installment, if any, or redemption price of and interest on the Series 2007 Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement or from the Resolution;

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

(g) 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, the Mortgage or by law; and

(h) realize upon any security interest in the fixtures, furnishings and equipment on or used in connection with the Project or the Mortgaged Property including any one or more of the following actions: (i) enter the Project or the Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Project or 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 will be in commercially reasonable manner and upon five days' prior written notice to the Institution of the time and place of such sale.

3. All rights and remedies given or granted to the Authority in the Loan Agreement are 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 will 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 or action taken pursuant to subdivision 2 of this caption "Defaults and Remedies" and its consequences if such Events of Default will be cured. No such annulment will extend to or affect any subsequent default or impair any right consequent thereto.

5. The Institution will give the Authority and the Department of Health telephone and written notice within one business day of receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with the Master Indenture.

(Section 29)

Arbitrage

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

(Section 34)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment will be made by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which will be filed with the Trustee; *provided, however*, that no amendment or waiver of any provisions of the Loan Agreement may be made without the prior written consent of the Commissioner of Health.

(Section 40)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, as amended by a Supplemental Resolution adopted by the Authority on July 23, 2003 (the "Supplemental Resolution"). Any changes due to the amendments contained in the Supplemental Resolution have been noted herein. Such summary does not purport to be complete or definitive and reference is made to the Resolution and the Supplemental Resolution for full and complete statements of each of their provisions. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Resolution. Defined terms herein have the meaning ascribed to them in Appendix A.

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

The Resolution authorizes the Authority to issue its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, *inter alia*, to be separately secured from each other Series of Bonds. Each such Series of Bonds will be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series will not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made and the covenants and agreements set forth to be performed by or on behalf of the Authority will be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any Bonds of a Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by the Applicable Series Resolution.

(Section 1.03)

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

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Applicable Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement, Applicable Mortgage, or Applicable Obligation, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Loan Agreement, Mortgage or Obligation, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Applicable Revenues, Gross Receipts, insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement, Mortgage or Obligation, and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Applicable Bondholders, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement, Mortgage or Obligation, subject to the following conditions: (a) that, unless and until the Authority grants, pledges or assigns such rights under the Loan Agreement, the Mortgage or the Obligation to the Trustee, the Authority may, in its sole discretion, unless the consent of the Applicable Credit Facility Issuer is required, and without consent of the Trustee or Bondholders modify, amend or release any provisions of such Loan Agreement, the Mortgage or the Obligation as provided in the Resolution; (b) that the Holders of the Applicable Bonds, if any, will 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; (c) that, unless and until the Applicable Trustee will, in its discretion when an "Event of Default" (as defined in "Appendix C – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS -- Defaults and Remedies") under the Applicable Loan Agreement has occurred and is continuing, so elect, by instrument in writing delivered to the Authority and the Applicable Institution (and then only to the extent that the Trustee will so elect), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Loan Agreement or the Mortgage to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, is to remain liable to observe and perform all the conditions and covenants, in the Loan Agreement and the Mortgage to be observed and performed by it; and (d) that the Mortgage may not be assigned by any party thereto without the written consent of the other parties thereto except to the Trustee as permitted by the Resolution; provided, however, that any grant, pledge and assignment by the Authority of moneys, revenues, accounts, rights or other property of the Applicable Institution made with respect to the Loan Agreement pursuant to this paragraph will secure, in the case of the Applicable Loan Agreement and Mortgage, only the payment of the amounts payable under such Loan Agreement or any Mortgage.

The following two paragraphs were amended by the Supplemental Resolution and are summarized as follows:

Notwithstanding the foregoing, upon any occurrence of a withdrawal from the Debt Service Reserve Fund which has not been restored within thirty (30) days from the date of such withdrawal, the Authority, upon the request of one or more Credit Facility Issuers, if any, or upon the request of the Holders of not less than 25% in principal amount of the Outstanding Bonds of an Applicable Series which are not secured by a Credit Facility, is obligated to assign to the Trustee: (i) its interest in the Applicable Loan Agreement, (ii) the Applicable Obligation, and (iii) the Applicable Mortgage and the security interest in the fixtures, furnishings and equipment now or hereafter owned by the Applicable Institution and located in or used in connection with the Mortgaged Property.

In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in this Section, the Trustee will accept such grant pledge and assignment which acceptance will be evidenced in writing and signed by an Authorized Officer of the Trustee.

The provisions of this Section are in all events subject to the provisions found under the caption "Right of Authority to Release Mortgage and Gross Receipts Pledge".

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Section and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of such Refunding Bonds will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Series Resolution authorizing such Refunding Bonds.

(Section 2.04)

Additional Obligations

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

(Section 2.06)

Pledge of Revenues

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

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund; and
Arbitrage Rebate Fund

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority will apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds will be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

1. For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee will deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority will remit to the Trustee and the Trustee will deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

2. Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund will be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project in connection, with which such Bonds were issued.

3. Payments for Costs of an Applicable Project will be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates will 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 such Project except that payments to pay interest on the Applicable Series of Bonds will be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized

Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

4. Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or an Institution with respect to an Applicable Project will be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Loan Agreement.

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

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, will be paid by the Trustee as follows and in the following order of priority:

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

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

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

(Section 5.04)

Enforcement of Obligations, Deposit of Revenues and Allocation Thereof

1. To the extent an Applicable Institution fails to make any timely payment under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof, the Trustee will promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

2. The Applicable Revenues, including all payments received under the Applicable Loan Agreement, Mortgage, Master Indenture and the Obligations, will be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Loan Agreement. To the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt

Service Fund will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, the Applicable Facility Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to the Applicable Facility Provider;

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

Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Fourth: 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 Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement or Mortgage in accordance with the terms thereof and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

3. After making the payments required by subdivision 1 of this Section, the balance, if any, of the Revenues then remaining will, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable 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. The Trustee will notify the Authority and the Institution promptly after making the payments required by subdivision 1 of this Section, of any balance of Revenues then remaining.

(Section 5.05)

Debt Service Fund

1. The Trustee will on or before the business day preceding each Interest Payment Date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

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

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

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

(d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.

The amounts paid out pursuant to this Section will 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 Applicable Debt Service Fund will be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee will withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee will notify the Authority, the Applicable Facility Provider, Credit Facility Issuer, Master Trustee, Obligated Group Representative and each member of the Obligated Group of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable 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 will be canceled upon receipt thereof by the Trustee and evidence of such cancellation will be given to the Authority. The principal amount of each Term Bond so canceled will be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Applicable Outstanding Bonds payable on or prior to the next succeeding principal payment date, the interest on Applicable Outstanding Bonds payable on the earlier of the next succeeding interest payment date, and the purchase price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys will be applied by the Trustee (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

(Section 5.06)

Debt Service Reserve Fund

1. (a) The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and

Exempt Obligations as, by the provisions of the Loan Agreement, are delivered to the Trustee by the Applicable Institution for the purposes of the Applicable Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds and (ii) that any letter of credit will be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if such Outstanding Bonds are not rated by Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds.

No Reserve Fund Facility will be deposited in full or partial satisfaction of a Debt Service Reserve Fund Requirement unless the Trustee will have received prior to such deposit (i) an opinion of counsel acceptable to an Applicable Credit Facility Issuer to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter or credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph above, the Authority will, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 1 or July 1 next succeeding the reduction in said ratings.

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

2. Moneys held for the credit of the Applicable Debt Service Reserve Fund will be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under an Applicable Reserve Fund Facility will be sought unless and until moneys are not available in the Applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Applicable Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility.

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

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

4. If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of a Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority and the Applicable Institution of such deficiency and such Institution will, 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, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Applicable Institution has not made

timely payment, the Trustee will immediately notify the Authority, the Obligated Group Representative and the Master Trustee of such non-payment and will seek payment under the Applicable Obligation in accordance with the terms thereof.

The following paragraph (5) was added by the Supplemental Resolution and is summarized as follows:

5. Upon any occurrence of a withdrawal from the Debt Service Reserve Fund which has not been restored within thirty (30) days from the date of such withdrawal, the Authority, upon the request of one or more Credit Facility Issuers, if any, or upon the request of the Holders of not less than 25% in principal amount of the Outstanding Bonds of a Series which are not secured by a Credit Facility, is obligated to assign to the Trustee: (i) its interest in the Applicable Loan Agreement, (ii) the Applicable Obligation, and (iii) the Applicable Mortgage and the security interest in the fixtures, furnishings and equipment now or hereafter owned by the Applicable Institution and located in or used in connection with the Mortgaged Property.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee will deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions regarding the pledge of revenues, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will 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 will 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 will be deposited to any Applicable Fund in accordance with the directions of the Authority.

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

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Debt Service Reserve Fund pursuant to the Resolution, the amounts held in the appropriate accounts in the Applicable Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee will so notify the Authority and the Applicable Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such

Outstanding Bonds. The Trustee will, 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 by the Resolution and by the Applicable Series Resolution as provided in the Resolution.

(Section 5.09)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of an Applicable Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, will compute the value of the assets in the Applicable Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Applicable Institution as to the results of such computation and the amount by which the value of the assets (i) in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Reserve Fund Requirement.

(Section 5.11)

Investment of Funds Held by the Trustee

1. Money held under the Resolution by the Trustee in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, will, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, (which direction will specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

2. In lieu of the investment of moneys in obligations authorized in subdivision 1 of this Section, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements will be free and clear of claims of any other person.

3. Obligations purchased or other investments made as an investment of moneys in any fund held by the Trustee under the provisions of the Resolution will be deemed at all times to be a part of such fund and the income or interest earned, profits realized or losses suffered by a fund due to the investment thereof will be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in a Series Resolution.

4. In computing the amount in any fund held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund will be valued at the market value thereof, plus accrued interest and except that Investment Agreements will be valued at original cost, plus accrued interest.

5 The Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee will sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it will be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee will advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund 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 subdivisions 1, 2 and 3 of this Section. The details of such investments will 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 will also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

6. No part of the proceeds of any Applicable Series of Bonds or any other funds of the Authority will 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)

Enforcement of Duties and Obligations of the Institution

The Authority will take all legally available action to cause an Institution to perform fully all duties and acts and comply fully with the covenants of such Institution required by the Applicable Mortgage and Loan Agreement in the manner and at the times provided in such Mortgage or Loan Agreement; provided, however, that the Authority may delay, defer or waive enforcement of one or more provisions of said Mortgage or Loan Agreement (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series.

(Section 7.06)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project and any moneys received in respect of damage to or condemnation of such Project will be deposited in the Applicable Construction Fund.

(Section 7.07)

Amendment of Mortgage, Loan Agreement or Obligation

An Applicable Mortgage or Loan Agreement may be modified so long as the Applicable Institution will be obligated to make all payments required thereunder such that the Trustee can comply with the payment terms of the Resolution, as amended, and the payment terms of the Applicable Series Resolution, as amended. Principal payments of an Applicable Loan Agreement and Mortgage may not be extended or deferred without delivery of a certificate of an Authorized Officer of the Trustee stating that such deferral or extension will not adversely affect the Authority's ability to pay interest coming due or principal at maturity of the Applicable Series of Bonds. Any Obligation may be amended or modified in the manner provided in the Master Indenture.

(Section 7.10)

Notice as to Event of Default Under Loan Agreement

The Authority will notify the Applicable Trustee in writing that an "Event of Default" under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice will be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Tax Exemption: Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Applicable Series, the Authority will comply with the provisions of the Code applicable to the Bonds of each Applicable Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Receipts of each Applicable Series of Bonds, reporting of earnings on the Gross Receipts of each Applicable Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority will comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority will not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be "arbitrage bonds" within the meaning or Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series will not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of this Section or of the Code.

(Section 7.12)

Right of Authority to Release Mortgage and Gross Receipts Pledge

1. Notwithstanding anything in the Resolution or the Loan Agreement to the contrary, the Authority (i) may issue Series of Bonds pursuant to the Resolution without obtaining a Mortgage or interest in Gross Receipts to the extent permitted by applicable law, and (ii) by the Resolution reserves the right to enter into any and all amendments with respect to any Applicable Mortgage and Loan Agreement (as may be necessary or appropriate to reflect the amendment, assignment or release of the Mortgage or the pledge of the Gross Receipts), including granting the Institution a complete release from the Mortgage or Gross Receipts or assigning such Mortgage or Gross Receipts to a Master Trustee, provided, however, prior to any such amendment, assignment or release the Institution will have caused there to be delivered to the Authority, the Trustee, the Master Trustee and the Applicable Credit Facility Issuer the following:

(a) A certificate of an Authorized Officer of the Institution to the effect that immediately subsequent to such amendment or release, the Institution will remain in compliance with all the terms and conditions of the Applicable Loan Agreement (as so amended) and no event of default will exist thereunder;

(b) An opinion of Bond Counsel to the effect (i) that such amendment or release is duly authorized by the Resolution and the Laws of the State and no further action or approval is necessary by the Authority to permit the Authority to execute and deliver such amendment or release; and (ii) that such amendment or release will constitute the valid and binding undertaking of the Authority and is not in conflict with any law, regulation or ruling of which counsel has knowledge which is binding upon the Authority;

(c) The Institution has executed an amendment to the Applicable Loan Agreement pursuant to which it agrees that it will not encumber or permit any liens on the real property or Project that was subject to the Applicable Mortgage, except Permitted Encumbrances (as such term is defined in the Applicable Loan Agreement); and

(d) In the event the Authority is receiving substitute collateral for any such release or amendment or, if otherwise required by the Authority, an opinion of Bond Counsel to the effect that the receipt of such collateral will not adversely affect the interest on the Bonds being excluded from gross income for federal income tax purposes, nor adversely affect the treatment of interest on the Bonds for State income tax purposes.

2. Notwithstanding anything in the Resolution or the Applicable Loan Agreement to the contrary, the Authority is authorized to release the security interest in Gross Receipts granted to it by the Institution under the Applicable Loan Agreement by executing the necessary releases and termination statements in connection therewith, provided, however, prior to any such release, the following conditions have been met:

(a) Each Applicable Credit Facility Issuer has delivered to the Authority its written consent therefor;

(b) The Institution has delivered to the Authority a certificate to the effect that the Institution is in compliance with all the terms and conditions of the Applicable Loan Agreement and no event of default which is continuing and is not cured has occurred thereunder;

(c) The Institution has executed an amendment to the Applicable Loan Agreement pursuant to which the Institution covenants that it will not encumber the Applicable Gross Receipts in any manner other than for Permitted Encumbrances.

(Section 7.14)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution regarding Series Resolutions, Supplemental Resolutions, and amendments of Resolutions, 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 will 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 of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained 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 Master Indenture, or any Applicable Series Resolution, the Applicable Revenues, the Applicable Mortgage, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution will cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution will contain a specific reference to the modifications contained in such subsequent resolutions; or

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

(Section 9.02)

Applicable Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders 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)

Powers of Amendment

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

(Section 10.01)

Modifications by Unanimous Consent

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

(Section 10.03)

Events of Default

An event of default will exist under the Resolution and under an Applicable Series Resolution (called "event of default" in the Resolution) if:

(a) With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond is not made by the Authority when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to the Applicable Series of Bonds, payment of an installment of interest on any such Bond is not made by the Authority when the same become due and payable; or

(c) With respect to the Applicable Series of Bonds, the Authority defaults in the due and punctual performance of the covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of such Series are no longer be excludable from gross income under Section 103 of the Code; or

The following subsection (d) was amended by the Supplemental Resolution and is summarized as follows:

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

(e) The Authority has notified the Trustee that an "Event of Default", as defined in the Loan Agreement, arising out of or resulting from the failure of the Institution to comply with the requirements of the Loan Agreement has occurred and is continuing and all sums payable by the Institution under the Loan Agreement have been declared to be immediately due and payable, which declaration has not been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds will not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified above under the caption "Events of Default", other than an event of default specified in paragraph (c) above under the caption

"Events of Default," then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of the Credit Facility Issuer or Credit Facility Issuers making such deposit, will, 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 after the giving of notice of such declaration, such principal and interest will become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. In the event that a Credit Facility Issuer will make any payments of principal of or interest on any Bonds pursuant to a Credit Facility and the Bonds are accelerated, such Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds prior to the stated maturity dates thereof. At any time after the principal of the Bonds has 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 will, with the written consent of the Credit Facility Issuers which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the written consent of the Applicable Credit Facility Issuers, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys have accumulated and are available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) have been paid or a sum sufficient to pay the same have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) have been remedied to the satisfaction of the Trustee. No such annulment will extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Facility Provider or Facility Providers, if any, of not less than twenty-five per centum (25%) of the aggregate principal amount of Reserve Fund Facilities, or of the Applicable Credit Facility Issuers which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the above caption "Events of Default" upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, will proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the

Bondholders or of such Facility Provider under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee will deem most effectual to protect and enforce such rights, including the foreclosure of any Mortgage assigned to the Trustee.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee will be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Applicable Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee in the Applicable funds and accounts and under the Applicable Series Resolution are sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, will be applied (after payment of all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds of the Applicable Series have become or been declared due and payable, all such moneys will be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available will not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which will have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available is not sufficient to pay in full all of such Bonds due no any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over and other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Authority, to any Holder of Bonds of any Applicable Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions hereof as may be applicable at the time of application by the Trustee. Whenever the Trustee will exercise such discretion in applying such moneys, it will fix the date (which will be on an interest payment date unless the Trustee will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date.

(Section 11.05)

Limitation of Rights of Individual Bondholders

No Holder nor the Credit Facility Issuer of a Credit Facility of any of the Bonds of an Applicable Series will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Credit Facility Issuer previously will have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the Consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) under the caption "Events of Default," the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the consent of the Applicable Credit Facility Issuer, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will 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 will 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 will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one or more of the Credit Facility Issuers Holders of the Bonds of an Applicable Series secured by the Resolution and by an Applicable Series Resolution will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity will be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the

Resolution, the Holder of any Bond of an Applicable Series will 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 will not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

1. If the Authority will pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Applicable Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds will be discharged and satisfied, and the right, title and interest of the Applicable Trustee in the Applicable Loan Agreement, the Mortgage and the Revenues will thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Applicable Trustee, on demand of the Authority, will release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, will endorse the Applicable Mortgage for cancellation and return the same to the Applicable Institution together with a release of the Mortgage in proper form for recordation, and will execute such documents to evidence such release as may be reasonably required by the Authority and the Institution and will turn over to the Institution or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Applicable Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any of such Bonds are to be redeemed prior to the maturity thereof, the Authority will have taken all action necessary to redeem such Bonds and notice of such redemption will have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice will have been given to the Applicable Trustee.

2. Bonds of an Applicable Series for which moneys will have been set aside, will be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to, maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, 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, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee, in form satisfactory

to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section 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 will give written notice to the Trustee of its selection of the maturity for which payment will be made in accordance with this Section. The Trustee will select which Bonds of such Series and which maturity thereof will be paid in accordance with this Section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will 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, will, to the extent practicable, be reinvested in the 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, will, to the extent certified by the Trustee to be in excess of the amount required by 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 Applicable 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, as directed by the Authority and any such moneys so paid by the Trustee will be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement.

3. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, will 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 will thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series will 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 will 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 will be returned to the Authority.

4. No principal or Sinking Fund Installment of or installment of interest on a Bond will be considered to have been paid, and the obligation of the Authority for the payment thereof will continue, notwithstanding that a Credit Facility Issuer pursuant to the Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

5. Prior to any defeasance becoming effective under the Resolution, each Applicable Credit Facility Issuer will have received (a) the final official statement delivered in connection with the refunding of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Credit Facility Issuer and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

(Section 12.01)

The following Section was amended by the Supplemental Resolution and is summarized as follows:

Holders of Bonds Deemed Holders of the Obligation

In the event that any request, direction or consent is required or permitted by the Master Indenture to be given by the Holders of any Obligations issued thereunder, with respect to an Obligation issued thereunder to secure any Bonds, the Authority or its successor or assign will be the Holder of the Applicable Obligation for such Series of Bonds for the purpose of any such request, direction or consent. To the extent any such Obligation will secure a Series of Bonds that is secured by a Credit Facility, the written consent of the Applicable Credit Facility Issuer, unless a Credit Facility Default has occurred and be continuing, will also be required for any such request, direction or consent. To the extent any such Obligation will secure a Series of Bonds that is not secured by a Credit Facility, the Authority may only give such request, direction or consent if the Rating Services providing a rating on the Applicable Series of Bonds confirms that such ratings on the Applicable Series of Bonds will not change as a result of the request, direction or consent.

(Section 13.02)

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE 2007 SUPPLEMENTAL INDENTURES

The Master Trust Indenture contains terms and conditions relating to the issuance and sale of the Obligations under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Master Trust Indenture and the 2007 Supplemental Indentures, and reference is made to such Master Trust Indenture and 2007 Supplemental Indentures, copies of which are available from the Authority or the Master Trustee. This summary uses various terms defined in the Master Trust Indenture and the 2007 Supplemental Indentures and such terms as used in the Master Trust Indenture and 2007 Supplemental Indentures will have the same meanings as so defined.

MASTER TRUST INDENTURE

Amount of Indebtedness

Subject to the terms, limitations and conditions established in the Master Trust Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Trust Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Trust Indenture are not limited, except as limited by the provisions of the Master Trust Indenture, including the provisions described under the heading "Limitations or Indebtedness", or of any Supplement. Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations issued or by evidences of Indebtedness issued or Guaranties entered into pursuant to documents other than the Master Trust Indenture, will, at least seven days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the paragraphs of the provisions described under the heading herein "Limitations or Indebtedness" under which such Indebtedness will be incurred, to the Obligated Group Representative with copies to the other Members of the Obligated Group, the Master Trustee and, for so long as Related Bonds of the Authority are outstanding, the Authority, and any such Member of the Obligated Group proposing to incur such Indebtedness, in an amount equal to or exceeding two million dollars ($2,000,000), will obtain the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee, which consent shall be further evidenced by a resolution of the Obligated Group Representative's Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Trust Indenture. (*Section 2.01*)

Security; Restrictions on Encumbering Property; Payment of Principal and Interest

(a) Any Obligation issued pursuant to the Master Trust Indenture will be a general obligation of each Member of the Obligated Group.

In connection with the issuance of Obligation Nos. 1 through 9, prior to the date of the amendment and restatement of the Master Trust Indenture, North Shore University Hospital, Glen Cove Hospital, Plainview Hospital, Forest Hills Hospital and North Shore University Hospital Center for Extended Care and Rehabilitation pledged to the Related Bond Issuers a security interest in their respective gross receipts, as such term is defined in the Related Loan Agreements. Furthermore, in connection with the issuance of certain outstanding indebtedness, prior to the date of the amendment and restatement of the Master Trust Indenture and prior to its entry into the Obligated Group, Long Island

Jewish Medical Center pledged to the Authority a security interest in its Gross Receipts, as such term is defined in the Related Loan Agreement. In connection with the amendment and restatement of the Master Trust Indenture, the aforementioned Related Bond Issuers have assigned to the Master Trustee their respective security interest in the Gross Receipts of each Member of the Obligated Group. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Trust Indenture, each Member of the Obligated Group affirms its pledge, assignment and grant to the Master Trustee of a security interest in its Gross Receipts.

If any Event of Default has occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in the Master Trust Indenture), and any Gross Receipts thereafter received, will immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to the Master Trust Indenture. Upon receipt, all such Gross Receipts will be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding under the Master Trust Indenture, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to the Master Trust Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of the Master Trust Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee will execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default, the Members of the Obligated Group agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated by the Master Trust Indenture, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under the Master Trust Indenture, there will be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group will also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Trust Indenture as may be necessary or appropriate to include as security under the Master Trust Indenture the Gross Receipts. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which will, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to the Master Trust Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the Master Trust Indenture.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens or as may be otherwise provided in the Master Trust Indenture) any of its Property.

(c) Each Obligation will be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Trust Indenture at the place, on the dates and in the manner provided in the Master Trust Indenture and in said

Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default will have occurred and be continuing, or any Member of the Obligated Group will have failed to make a periodic deposit in respect of the interest on, or principal of any Related Bonds within three days after the same will have become payable, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured or such required deposit has been made, as the case may be, such Gross Receipts to be applied in accordance with the Master Trust Indenture.

(e) Each Member of the Obligated Group covenants and agrees that, so long as any Related Bonds of the Authority are Outstanding, and unless in connection with a lien otherwise permitted under the Master Trust Indenture, it shall not enter into any Control Agreement unless it shall have delivered to the Authority (i) an opinion of counsel, which counsel is reasonably acceptable to the Authority, stating that such Control Agreement will not adversely affect the Master Trustee's security interest in Gross Receipts, and (ii) a list of all banking institutions with whom such Member of the Obligated Group has relationships. (*Section 3.01*)

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member of the Obligated Group covenants:

(a) Except as otherwise expressly provided in the Master Trust Indenture, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing contained in the Master Trust Indenture will be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection will be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof (including, but not limited to, the Public Health Law of the State of New York for as long as there are Related Bonds of the Authority or its predecessors outstanding) and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing contained in the Master Trust Indenture will require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it will be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it will have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Trust Indenture) whose validity, amount or collectibility is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section if and to the extent that its Governing Body will have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as the Master Trust Indenture will remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes. (*Section 3.02*)

Insurance

Except as may otherwise be required in a Loan Agreement, each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations. (*Section 3.03*)

Insurance and Condemnation Proceeds

(i) Unless otherwise provided in the Mortgages or Loan Agreements, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(j) Unless otherwise provided in the Mortgages or Loan Agreements, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the

Health Care Facilities or as condemnation awards relating to the Health Care Facilities will be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided, however, subject to the terms of the Loan Agreement, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Loan Agreement and Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section. (*Section 3.04*)

Limitations on Creation of Liens

(k) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(l) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof;

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Trust Indenture, which is set forth on Schedule A attached thereto, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Trust Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien thereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to paragraph (e) under the heading "Consolidation, Merger, Sale or Conveyance" herein or paragraph (e) under the heading "Parties Becoming Members of the Obligated Group" herein;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by paragraph (d) under the heading "Limitations on Indebtedness" herein;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions under the heading "Limitations or Indebtedness" herein, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Trust Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Trust Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained in under the heading "Limitations or Indebtedness" herein;

(x) Any Lien on Property which secures Indebtedness or Derivative Agreements that do not exceed in aggregate 20% of Total Operating Revenue as reflected in the most recent Audited Financial Statements of the Obligated Group;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xiii) Any Lien securing all Obligations on a parity basis;

(xiv) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Liens on those items described in, or the right to receive the items described in, clauses (x), (y) and (z) of the definition of Gross Receipts in "Appendix A - Certain Definitions" herein;

(xvii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xviii) Any Lien created in the Loan Agreements;

(xix) The Mortgages; and

(xx) Any Lien on Excluded Property. (*Section 3.05*)

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, set forth under this heading. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness in accordance with the requirements contained in under the heading "Amount of Indebtedness," and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all Long-Term Indebtedness incurred pursuant to the provisions described in this clause (a)(i)(A) does not exceed 20% of Total Operating Revenues, or

(B) The Long-Term Debt Service Coverage Ratio for each of the most recent two periods of 12 full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for each of the two periods mentioned in subsection (a)(i)(B) under this heading, excluding the proposed Long-Term Indebtedness, is at least 1.20 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.20 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this subparagraph (a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this clause (a)(ii)(2) is equal to or greater than 1.50; *provided, however*, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements will be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness will not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, if Related Bonds issued by the Authority are Outstanding, the Obligated Group must first obtain the written consent of the Authority prior to issuing Short-Term Indebtedness in excess of 15% of Total Operating Revenues for the most recent period of twelve consecutive months for which Audited Financial Statements are available; and provided further, that there will be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which

Audited Financial Statements are available during which Short-Term Indebtedness will not exceed 3% of Total Operating Revenues. For purposes of this paragraph (c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set for in this paragraph (c), Short-Term Indebtedness secured by accounts receivable will not be taken into account except to the extent provided in paragraph (f) under this heading.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph under this heading; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount will be treated as Short-Term Indebtedness for the purposes of the tests set forth in paragraph (c) under this heading.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there will be delivered to the Master Trustee (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to any one of subsections (a)(i) or a(ii) under this heading may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity will not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision will not be taken into account in testing compliance with any debt incurrence test pursuant to this Section.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 75% of the three-month average outstanding accounts receivable of the Obligated Group that are 90 days old or less as calculated in accordance with generally accepted accounting principles. The three-month average will be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered. Accounts receivable that are more than 90 days old may not be sold, pledged, assigned or otherwise disposed or encumbered. (*Section 3.06*)

Long-Term Debt Service Coverage Ratio

(h) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such Fiscal Year; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto will not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(i) If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met the Obligated Group covenants to retain a Consultant within 30 days of the delivery of the aforementioned Audited Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained will be required to submit such recommendations within 45 days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant will be retained and each Member of the Obligated Group will follow such Consultant's recommendations to the extent permitted by such Governmental Restrictions, this Section will be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, that the Obligated Group will not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially. (*Section 3.07*)

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts

(j) Each Member of the Obligated Group agrees that it will not transfer Property in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there will be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Obligated Group is in compliance with the requirements set forth under the heading "Long-Term Debt Service Coverage Ratio" and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants (which period of 12 full consecutive months will have ended not more than eighteen calendar months prior to the date of the Officer's Certificate) and such Long-Term Debt Service Coverage Ratio is not less than 1.20 and not less than 65% of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided further, however, that the proceeds from such Property Transferred are used only to acquire Property or to repay Long-Term Indebtedness.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to a merger or consolidation permitted by the Master Trust Indenture, without limit, if such Person or successor corporation will, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Trust Indenture.

(k) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group will receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph under the heading "Limitations on Indebtedness" regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(l) Nothing contained under this heading is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group. (*Section 3.08*)

Consolidation, Merger, Sale or Conveyance

(m) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation will execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Trust Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Trust Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Trust Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there will have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (which period of 12 full consecutive months will have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in subsection (a)(i)(B) under the heading "Limitation on Indebtedness" would have been satisfied for the incurrence of an additional $1.00 of Additional Indebtedness, and (C) the unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements.

(n) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation will succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to the provisions described under the heading "Parties Becoming Members of the Obligated Group," as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Trust Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Trust Indenture prescribed, the Master Trustee will authenticate and will deliver Obligations that such successor corporation will have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation under the Master Trust Indenture will in all respects have the same security position and benefit under the Master Trust Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Trust Indenture as though all of such Obligations had been issued under the Master Trust Indenture without any such consolidation, merger, sale or conveyance having occurred.

(o) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Trust Indenture as may be appropriate.

(p) In the event that the Officer's Certificate described in subparagraph (a)(iv) under this heading has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of the Master Trust Indenture to join in the execution of any instrument required to be executed and delivered by this Section.

(q) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group pursuant to this Section will be permitted to remain outstanding, and any lien or security interest securing such Indebtedness will be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions of the Master Trust Indenture immediately after such Person or successor corporation became a Member of the Obligated Group.

(r) All references herein to successor corporations will be deemed to include the surviving corporation in a merger. (*Section 3.09*)

Filing of Audited Financial Statements, Certificate of No Default; Other Information

The Obligated Group covenants that it will:

(s) Within 30 days after receipt of the audit report mentioned below, but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee, the Authority (so long as there are Related Bonds of the Authority outstanding) and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements will be prepared in accordance with generally accepted accounting principles and will include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(t) Within 30 days after receipt of the audit report mentioned above, but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee, the Authority (so long as there are Related Bonds of the Authority outstanding) and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Trust Indenture and, if so, specifying each such default of which the signers may have knowledge.

(u) If an Event of Default will have occurred and be continuing, (i) file with the Master Trustee and the Authority (so long as there are Related Bonds of the Authority outstanding) such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(v) Within 30 days after its receipt thereof, file with the Master Trustee and the Authority (so long as there are Related Bonds of the Authority outstanding) a copy of each report which any provision of the Master Trust Indenture requires to be prepared by a Consultant or an Insurance Consultant. (*Section 3.10*)

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by the provisions described under the heading "Consolidation, Merger, Sale or Conveyance" may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(w) The Person or successor corporation which is becoming a Member of the Obligated Group will execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Trust Indenture and any Supplements and thereby become subject to compliance with all provisions of the Master Trust Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Trust Indenture, (ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group, and (iii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Trust Indenture will be paid in accordance with the terms thereof and of the Master Trust Indenture when due.

(x) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, will be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(y) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there will be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(z) An Officer's Certificate of the Obligated Group Representative will be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of such Person and the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person will become a member of the Obligated Group and (ii) the conditions described in subsection (a)(i)(B) under the heading "Limitation on Indebtedness" have been satisfied for the incurrence of an additional one dollar of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (which period of 12 full consecutive months will have ended not more than 18 calendar months prior to the date of the Officer's Certificate).

(aa) Any Indebtedness previously incurred by a new Member of the Obligated Group will be permitted to remain outstanding, and any lien or security interest securing such Indebtedness will be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions described under the heading “Limitations on Indebtedness” immediately after such Person became a Member of the Obligated Group. (*Section 3.11*)

Withdrawal from the Obligated Group

(bb) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative and, if Related Bonds of the Authority are outstanding, the prior written consent of the Authority; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there will be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member’s withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) (A) An Officer’s Certificate of the Obligated Group Representative demonstrating that (1) the conditions described in subsection (a)(i)(B) under the heading “Limitation on Indebtedness” have been satisfied for the incurrence of an additional one dollar of Additional Indebtedness, assuming such withdrawal to have occurred at the end of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (2) the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) would not, if such withdrawal had occurred at the end of such period, be reduced by more than 35%; provided, however, that in no event will such ratio be reduced to less than 1.20, or (y) would be greater than in the absence of such withdrawal, and (3) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or (B) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in clause (B) above may be evidenced by an Officer’s Certificate of the Obligated Group Representative in lieu of a Consultant’s report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve month period for which Audited Financial Statements of the Obligated Group are available; and

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee, the Authority and each Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Trust Indenture and any agreements or other documents relating to the Master Trust Indenture, the Obligations or the Related Bonds.

(cc) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto will be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Trust Indenture will cease. (*Section 3.12*)

Events of Default

Event of Default, as used herein, will mean any of the following events:

(dd) The Members of the Obligated Group will fail to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding under the Master Trust Indenture when and as the same will become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Trust Indenture or of any Supplement;

(ee) Any Member of the Obligated Group will fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Trust Indenture for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, will have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; provided, however, that if said failure be such that it cannot be corrected within 30 days after the receipt of such notice, it will not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(ff) An event of default will occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued under the Master Trust Indenture;

(gg) (i) Any Member of the Obligated Group will fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Trust Indenture), which Indebtedness is in an aggregate principal amount greater than 1% of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or will hereafter be created, and any period of grace with respect thereto will have expired, or (ii) there will occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than 1% of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or will hereafter be created, which event of default will not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness will have been accelerated; provided, however, that such default will not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith will commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(hh) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United

States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; and

(ii) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due. (*Section 4.01*)

Acceleration; Annulment of Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Trust Indenture, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, will, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations will become and be immediately due and payable, anything in the Obligations or in any other section of the Master Trust Indenture to the contrary notwithstanding. In the event Obligations are accelerated there will be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations will 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, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Trust Indenture will have been paid or a sum sufficient to pay the same will have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) will have been remedied or waived pursuant to the provisions under the heading "Waiver of Event of Default", then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding will, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon. (*Section 4.02*)

Additional Remedies and Enforcement of Remedies

(jj) Upon the occurrence and continuance of an Event of Default under the Master Trust Indenture, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, will, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Trust Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, will deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Bring suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;

(vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and

(vii) Enforcement of any other right of the Holders conferred by law or by the Master Trust Indenture.

(kk) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, will, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient (i) to prevent any impairment of the security under the Master Trust Indenture by any acts which may be unlawful or in violation thereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Trust Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(ll) Upon the occurrence of an Event of Default, the Master Trustee may, and if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, realize upon any security interest which the Master Trustee may have in Gross Receipts and will establish and maintain a Gross Receipts Revenue Fund into which will be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund will be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative and, if Related Bonds of the Authority are Outstanding, approved by the Authority or the Authority's designee, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by the Master Trust Indenture and any Supplement thereto. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund will be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations will be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing will be paid to the Master Trustee, as the Authority may direct; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof. (*Section 4.03*)

Application of Moneys after Default

During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article will be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to the Master Trust Indenture and with respect to the payment of Obligations thereunder, as follows:

(mm) Unless the principal of all Outstanding Obligations will have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which will have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available will not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

(nn) If the principal of all Outstanding Obligations will have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(oo) If the principal of all Outstanding Obligations will have been declared due and payable, and if such declaration will thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys will be applied by it at such times, and from time to time, as the Master Trustee will determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee will apply such moneys, it will fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates will cease to accrue. The Master Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Holder of any unpaid Obligation until such Obligation will be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund will be invested in Government Obligations, which mature or are redeemable at the option of the holder not later than such times as will be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments will be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in the Master Trust Indenture, the Master Trustee will sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it will be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee will not be liable or responsible for making any such investment in the manner provided above and will not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund will be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining will be paid to the Person entitled to receive the same; if no other Person will be entitled thereto, then the balance will be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct. (*Section 4.04*)

Holders' Control of Proceedings

If an Event of Default will have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Trust Indenture or for the appointment of a receiver or any other proceedings under the Master Trust Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Trust Indenture, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee will have the right to decline to follow any such direction if the Master

Trustee in good faith will determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section will impair the right of the Master Trustee in its discretion to take any other action under the Master Trust Indenture which it may deem proper and which is not inconsistent with such direction by the Holders provided, further, however, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, will have the right to control proceedings with respect thereto in the manner described in this Section. (*Section 4.07*)

Waiver of Event of Default

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion will have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Trust Indenture, or before the completion of the enforcement of any other remedy thereunder.

(c) Notwithstanding anything contained in the Master Trust Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, will waive any Event of Default under the Master Trust Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of the section captioned "Acceleration; Annulment of Acceleration" herein, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same will become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Trust Indenture, the Members of the Obligated Group, the Master Trustee and the Holders will be restored to their former positions and rights thereunder, respectively, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent thereon. (*Section 4.09*)

Appointment of Receiver

Upon the occurrence of any Event of Default, unless the same shall have been waived as provided in the Master Trust Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Trust Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment will confer. Each Member of the Obligated Group, respectively, consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver. (*Section 4.10*)

Notice of Default

The Master Trustee will, within 10 days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default will have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) under the heading "Events of Default", the Master Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders. (*Section 4.12*)

Removal and Resignation of the Master Trustee

The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default will have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal will become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created by the Master Trust Indenture. Written notice of such resignation or removal will be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal will take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within 30 days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee will be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Trust Indenture will execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Trust Indenture, and thereupon such successor Master Trustee, without further action, will become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor will execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee will execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master

Trustee will promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than 10 days after its assumption of the duties under the Master Trust Indenture, will mail a notice of such assumption to each registered Holder. (*Section 5.04*)

Supplements Not Requiring Consent of Holders

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

(pp) To cure any ambiguity or formal defect or omission in the Master Trust Indenture.

(qq) To correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Master Trust Indenture and which will not materially and adversely affect the interests of the Holders.

(rr) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of the Master Trust Indenture.

(ss) To qualify the Master Trust Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(tt) To create and provide for the issuance of Indebtedness as permitted under the Master Trust Indenture, so long as no Event of Default has occurred and is continuing thereunder.

(uu) To obligate a successor to any Member of the Obligated Group as provided in the provisions described under the heading "Parties Becoming Members of the Obligated Group".

(vv) To comply with the provisions of any federal or state securities law.

(ww) So long as no Event of Default has occurred and is continuing under the Master Trust Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Trust Indenture has occurred and is continuing, to make any change to the provisions of the Master Trust Indenture (except as set forth below) if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are Audited Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) there exists for each Related Bond or Obligation, which is not pledged to secure Related Bonds, credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each Holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart, and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change;

(ii) if any series of Obligations or Related Bonds are rated based on credit enhancement of such Obligations or Related Bonds (whether in the form of a financial guaranty insurance policy, letter of credit, surety bond or otherwise) and not on the underlying credit of the Obligated Group, the issuer of such credit enhancement will consent in writing to such amendment or modification; and

(iii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled;

provided, however, that no amendment will be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Trust Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event will such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio, of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio, or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) Sections 3.01, 3.02(a), 3.05(b)(xii), 3.05(b)(xvi), 3.05(b)(xvii), 3.06(a)(i)(A), 3.08(a)(ii), 3.08(a)(iii), 3.09, 3.11, 3.12, 4.01 through 4.12, inclusive, 5.04, 6.01(h), 6.02(a), 7.01 or 8.02 of the Master Trust Indenture. (*Section 6.01*)

Supplements Requiring Consent of Holders

(xx) Other than Supplements referred to under the heading "Supplements Not Requiring Consent with Holders" and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding will have the right, with consent of each Credit Facility Issuer insuring Obligations or Related Bonds, from time to time, anything contained in the Master Trust Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as will be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Trust

Indenture; provided, however, nothing in this Section will permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in the Master Trust Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(yy) If at any time each Member of the Obligated Group will request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as will be prescribed by each Member of the Obligated Group following the request, the Master Trustee will receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section for the Supplement in question which instrument or instruments will refer to the proposed Supplement and will specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder will have consented thereto.

(zz) Any such consent will be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Trust Indenture. At any time after the Holders of the required principal amount or number of Obligations will have filed their consents to the Supplement, the Master Trustee will make and file with each Member of the Obligated Group a written statement to that effect. Such written statement will be conclusive that such consents have been so filed.

(aaa) If the Holders of the required principal amount of the Obligations Outstanding will have consented to and approved the execution of such Supplement as provided in the Master Trust Indenture, no Holder will have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof. (*Section 6.02*)

Satisfaction and Discharge of Indenture

If (i) the Obligated Group Representative will deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which will have been mutilated, destroyed, lost or stolen and which will have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation will have become due and payable and money sufficient to pay the same will have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation will be Defeased Obligations, and if in all cases the Members of the Obligated Group will also pay or cause to be paid all other sums payable under the Master Trust Indenture by the Members of the Obligated Group or any thereof, then the Master Trust Indenture will cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, will execute proper instruments acknowledging satisfaction of and discharging the Master Trust Indenture. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Trust Indenture or such Obligations. (*Section 7.01*)

Evidence of Acts of Holders

Except as otherwise provided in a Related Bond Indenture, in the event that any request, direction or consent is requested or permitted under the Master Trust Indenture of the Holders of any Obligation securing an issue of Related Bonds, (i) each Related Bond Issuer shall be deemed to be such Holder for the purpose of any such request, direction or consent, or (ii) in the event such series of Related Bonds or Obligation is secured by a Credit Facility, so long as the issuer of such Credit Facility is not then in default on its obligations under such Credit Facility, the Credit Facility Issuer shall be deemed to be the Holder of such Obligation or Obligations pledged as security for such Related Bonds. *(Section 8.01)*

2007 Supplemental Indentures

Mortgages

To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on Obligations No. 26 and No. 27, and the performance by each Member of the Obligated Group of its other obligations under the 2007 Supplemental Indentures and under the Master Trust Indenture, each Member of the Obligated Group has executed and delivered its respective Mortgage to the Authority. The Authority may modify or release or grant a parity interest in the lien of the Mortgages subject to the provisions of the Related Bond Indenture, Article 3 of the Master Trust Indenture, the 2007 Supplemental Indentures, the Intercreditor Agreement and the Mortgages. In the event of such modification, release or grant of a parity interest in the lien of the Mortgages, the Master Trustee shall, upon request of the Authority, execute a release of its security interest or other appropriate consent document with respect to such Mortgage so modified or released. *(Section 3)*

Direction to Assign Mortgage

Anything in the Master Trust Indenture to the contrary notwithstanding, the Authority may, and upon the occurrence and continuance of an event of default specified in subsections (a), (b), (d), (e) and/or (f) of the section captioned “Events of Default” hereinabove, will, as mortgagee and in accordance with the Related Bond Indenture, grant, pledge and assign to the Applicable Bond Trustee all of the estate, right, title, interest and claim in, to and under the Mortgages with respect to Obligations No. 26 and No. 27, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Mortgages, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Supplemental Indenture) all Revenues, insurance proceeds, sale proceeds and other amounts and other security now or hereafter payable to or receivable by the Authority under such Mortgages, and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under such Mortgages. *(Section 12)*

Master Trustee as Mortgage Agent

Pursuant to the Intercreditor Agreement, the Bond Trustee has acknowledged that the Master Trustee will act as agent to act on its behalf in any suit, action or proceeding brought to enforce any of its rights as beneficiary under the Mortgages. The Master Trustee shall undertake to act as agent to the Bond Trustee as provided in the Supplemental Indenture. *(Section 13)*

Distribution of Proceeds from Enforcement of Rights under the Mortgage

Any proceeds received from the enforcement of the rights of the Master Trustee or the Bond Trustee as beneficiaries under any particular Mortgages shall, notwithstanding any provision in the Master Trust Indenture to the contrary, be distributed by the Master Trustee in the following order:

(a) First, to satisfy any amounts then due and owing under the Loan Agreements specifically secured by such Mortgages or under Obligations No. 26 and No. 27;

(b) Second, to satisfy any amounts then due and owing under any Loan Agreement or Obligation issued to the Authority to secure a series of Related Bonds; and

(c) Third, to satisfy any remaining amounts then due and owing under any Obligations in direct proportion to the amount then due and owing under each such Obligation.

Notwithstanding the foregoing, the Authority may in its discretion and in accordance with the provisions of the Intercreditor Agreement, grant to the Holder of any Obligation an interest in the Mortgage or proceeds thereof with respect to Obligations No. 26 and No. 27 on a parity with or subordinate to the payments to be made pursuant to (a), (b) or (c) above. In addition, notwithstanding anything contained elsewhere in the 2007 Supplemental Indentures or in the Master Trust Indenture, the Mortgages or the Loan Agreements, the Authority shall not release the lien of any such Mortgages without the prior written consent of the Credit Facility Issuer, if applicable, of the Related Bonds to which such Obligation relates. *(Section 15)*

Discharge of Supplement

Upon payment by the Obligated Group of a sum, in cash or Defeasance Securities (as defined in the Related Bond Indenture), or both, sufficient, together with any other cash and Defeasance Securities held by the Bond Trustee and available for such purpose, to cause all Outstanding Series 2007 Bonds to be deemed to have been paid within the meaning of the Related Bond Indenture and to pay all other amounts referred to in the Related Bond Indenture, accrued and to be accrued to the date of discharge of the Related Bond Indenture, Obligations No. 26 and No. 27 will be deemed to have been paid and to be no longer Outstanding under the Master Trust Indenture and the 2007 Supplemental Indentures will be discharged. *(Section 16)*

Reporting Requirements

The Obligated Group covenants that it will:

(a) No later than 60 days subsequent to the last day of each of the first three quarters in each fiscal year, furnish to (1) the Authority (so long as any Related Bonds of the Authority are outstanding), and (2) each Repository, the following information: (A) the unaudited combined financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flow, with unaudited combining financial statements of each Member of the Obligated Group for the balance sheet and the statement of operations; (B) utilization statistics of each Member of the Obligated Group, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (C) major payor mix of each Member of the Obligated Group by percentage of gross revenue;

(b) No later than 120 days subsequent to the last day of each fiscal year, to each of the parties identified in clauses (1) and (2) of the foregoing paragraph, to the Related Bond Trustee and applicable rating services, (1) copies of the combined financial statements of the Obligated Group, audited by an independent public accountant satisfactory to the Authority and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such audited financial statements may contain such changes as are concurred in by such accountants, (2) copies of the combining unaudited balance sheet and statement of operations for the Members of the Obligated Group, and (3) such other statements, reports and schedules describing the finances, operation and management of each Member of the Obligated Group (or of the Obligated Group) and such other information reasonably required by an Authorized Officer of the Authority; and

(c) Not later than 120 days after the end of the Fiscal Year, to the Related Bond Trustee, the Authority and such other parties as an Authorized Officer of the Authority may designate, including rating services, a certificate stating whether each Member of the Obligated Group is in compliance with the provisions of the Master Trust Indenture, Loan Agreement and the Mortgages. *(Section 18)*

Required Ratios

For so long as Obligations No. 26 and No. 27 and/or any Related Bonds of the Authority remain Outstanding, the following provisions shall apply:

(a) Days Cash on Hand. The Obligated Group covenants that the number of Days Cash On Hand, as of each semi-annual testing date set forth below, shall not be less than 30 for the Obligated Group.

(b) The Required Ratios shall be tested semi-annually as of June 30, based on the Obligated Group's unaudited financial statements, and December 31, based on the Obligated Group's audited financial statements, of each year (each a "Semi-Annual Testing Date"), and a Certificate of an Authorized Officer of the Obligated Group Representative shall be delivered on the date the related financial statements are delivered, in accordance with the provisions described under the heading "Reporting Requirements" above, to the Master Trustee, any Credit Facility Issuer and the Authority, certifying as to the Long-Term Debt Service Coverage Ratio and Days Cash on Hand as of such date and certifying compliance with the Required Ratios.

(c) If, on any Semi-Annual Testing Date, the Long-Term Debt Service Coverage Ratio is less than 1.25 or the Days Cash on Hand is less than the applicable requirement set forth in subsection (a) above, then the Obligated Group shall within 75 days of the end of such testing period, but in no event less than 20 days following notice from the Authority to do so, (i) prepare a scope of work for a Consultant in form and content acceptable to the Authority, (ii) retain a Consultant acceptable to the Authority, (iii) require such Consultant, within 15 days of its appointment, to commence work on a report to be delivered to the Obligated Group and the Authority recommending changes with respect to the operation and management of the Obligated Group's facilities, and (iv) to the extent permitted by Governmental Restrictions, implement such Consultant's recommendation in a timely manner. Any report of a Consultant prepared within the previous 12-month period pursuant to the provisions of the Master Trust Indenture shall, if addressed to the Authority and meeting the requirements of clause (iii) above, be deemed to satisfy the foregoing requirement to procure a Consultant's report and, in any event, the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this clause more frequently than biennially.

(d) For so long as the Obligated Group is not in compliance with the Required Ratios, the Obligated Group Representative shall deliver to the Authority (i) within 90 days of delivery of a Consultant's report pursuant to paragraph (c) above, a certified copy of a resolution adopted by the Governing Body of the Representative acknowledging receipt of such report on behalf of itself and the Members of the Obligated Group and a report setting forth in reasonable details the steps the Obligated Group proposes to take to implement some or all of the recommendations of such Consultant, to the extent permitted by Governmental Restrictions, and (ii) quarterly reports showing the progress made by the Obligated Group in achieving compliance with the Required Ratios and, if applicable, implementing the recommendations of the Consultant.

(e) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (b) above, the Obligated Group shall nonetheless be considered to be in compliance with the provisions described under this heading so long as the Obligated Group has satisfied the requirements of paragraphs (c) and (d) above to the reasonable satisfaction of the Authority. If the Obligated Group shall (i) fail to provide the Authorized Officer's Certificate required by paragraph (b) above by the required date, or (ii) fail to satisfy the requirements of paragraphs (c) and (d) above to the reasonable satisfaction of the Authority, the Authority shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Board of such noncompliance, and to enforce the provisions of this heading by specific performance.

(f) Notwithstanding the foregoing, and so long as any Related Bonds of the Authority are Outstanding, if, (i) on any Semi-Annual Testing Date the Days Cash on Hand have decreased by 30% or more within the prior 12-month period, or (ii) on any Semi-Annual Testing Date the Days Cash on Hand have decreased by 50% or more within the prior 24-month period, then the Obligated Group shall, within 30 days of such Semi-Annual Testing Date, deliver written notice to the Authority of such decrease and cooperate with the Authority in evaluating the cause(s) for such decrease. If the Obligated Group shall (A) fail to provide the written notice required by (i) above by the required date, or (B) fail to cooperate with the Authority to its reasonable satisfaction, the Authority shall be entitled to notify the members of the Governing Body of the Representative and the members of the Governing Body of each Member of such noncompliance, and to enforce the provisions of this heading by specific performance.

(g) In no event, however, shall failure to satisfy the provisions set forth in paragraphs (a), (b), (c), (d), (e) and (f) above constitute an Event of Default under the Master Trust Indenture, it being understood that the sole remedies for noncompliance shall be the right of the Authority to seek specific performance and/or to notify Governing Body members as aforesaid.

(h) Notwithstanding anything in the 2007 Supplemental Indentures to the contrary, the Obligated Group covenants that in no event shall the Long-Term Debt Service Coverage Ratio be less than 1.00 at any time.

(i) Notwithstanding anything the 2007 Supplemental Indentures or in the Master Trust Indenture to the contrary, the provisions set forth under this heading are made solely for the benefit of the

Authority and the Holder of Obligations securing Related Bonds of the Authority (including the successors or assigns thereof), and no other person, partnership, association or corporation shall acquire or have any right thereunder or by virtue thereof. *(Section 19)*

Supplemental Provisions to the Master Trust Indenture

(a) The last paragraph of **Section 3.06(g)** of the Master Trust Indenture is supplemented, for so long as Obligations No. 26 and No. 27 and/or any Related Bonds of the Authority remain Outstanding, to read as follows:

> Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 50% of the three month average outstanding accounts receivable of the Obligated Group that are ninety days old or less as calculated in accordance with generally accepted accounting principles. With the written consent of the Authority, so long as there are Related Bonds of the Authority outstanding, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three month average shall be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered. Accounts receivable that are more than ninety days old may not be sold, pledged, assigned or otherwise disposed or encumbered.

(b) **Section 3.08** of the Master Trust Indenture is supplemented, for so long as Obligations No. 26 and No. 27 and/or any Related Bonds of the Authority remain Outstanding, by the inclusion of the following as subsection (d) thereunder:

> (d) Other than as provided in subsection (c) above, each Member of the Obligated Group will not Transfer cash, marketable securities or other liquid investments to any Person other than a Member of the Obligated Group, if following such transfer, based upon pro-forma projections determined in good faith by management of the Obligated Group, the Obligated Group would be unable to satisfy the requirements set forth in Section 19 hereof as of the next testing date. Unsecured loans to Persons other than Members of the Obligated Group shall be treated as Transfers of cash.
>
> (c) Notwithstanding anything herein or in the Master Trust Indenture to the contrary, the provisions set forth in this Section 20 are made solely for the benefit of the Authority and the Holder of Obligations securing Related Bonds of the Authority (including the successors or assigns thereof), and no other person, partnership, association or corporation shall acquire or have any right thereunder

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL RELATED TO THE SERIES 2007A BONDS

__________, 2007

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

Re: $161,545,000 North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Dormitory Authority of the State of New York (the "Authority") of $161,545,000 aggregate principal amount of its above-referenced bonds (the "Series 2007A Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and the Authority's North Shore Health System Obligated Group Revenue Bond Resolution, adopted June 24, 1998, as supplemented and amended (the "Resolution"), and the Series 2007A Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007A, adopted April 25, 2007, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series 2007A Bonds (the "Series 2007A Resolution"). The Resolution and the Series 2007A Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into separate Loan Agreements with North Shore University Hospital, Forest Hills Hospital, Glen Cove Hospital and Long Island Jewish Medical Center Hospital (each an "Institution" and, collectively, the "Institutions") each dated as of April 25, 2007 (each a "Loan Agreement" and, collectively, the "Loan Agreements"), providing, among other things, for a loan to each Institution for the purposes permitted in the respective Loan Agreement and by the Resolutions. Pursuant to each Loan Agreement, each respective Institution is required to make payments sufficient to pay its allocable portion of the principal, sinking fund installments and redemption price of and interest on the Series 2007A Bonds, as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2007A Bonds.

The Series 2007A Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Loan Agreements. The obligations of each of the Institutions under its respective Loan Agreement will be secured by a mortgage on certain health care facilities of the applicable Institution. In addition, the Series 2007A Bonds are secured by payments to be made by the Obligated Group on its Obligation No. 26, dated as of May 1, 2007 ("Obligation No. 26"), issued by the Obligated Group under a Master Trust Indenture, dated as of July 1, 1998, as amended and supplemented by the First Supplement, dated as of July 1, 2003, and as further amended and restated as of August 1, 2003 (collectively, the "Master Trust Indenture"), among the Obligated Group and The Bank of New York, as successor to United States Trust Company of New York, as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture for Obligation No. 26, dated as of May 1, 2007 ("Supplement No. 26" and together with the Master Trust Indenture and all other supplements thereto, the "Master Indenture"), among the Obligated Group and the Master Trustee. Obligation No. 26 is a joint and several obligation of the Obligated Group secured by among other things, a security interest in Gross Receipts (as defined in the Master Indenture).

Interest on the Series 2007A Bonds is payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2007 in accordance with the terms of the Series 2007A Resolution.

The Series 2007A Bonds are to mature on the dates and in the years and amounts set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2007A Bonds. The Series 2007A Bonds are to be issued in fully registered form in the denominations of $5,000 and any integral multiple thereof. The Series 2007A Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In such connection, we have reviewed the Resolutions, the Loan Agreements, Obligation No. 26, the Master Indenture, the Mortgages (as defined in the Loan Agreements) granted by the Institutions and the other Members of the Obligated Group to the Authority, the Tax Certificate and Agreement as of the date hereof (the "Tax Certificate"), between the Authority, the Institutions and the Representative, opinions of counsel to the Authority, the Trustee, the Institutions and the Representative, certificates of the Authority, the Trustee, the Institutions, the Representative and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Winston & Strawn LLP, counsel to the Obligated Group and the Representative regarding, among other matters, the current qualification of the each of the Institutions as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed with the proceeds of the Series 2007A Bonds in activities that are not considered unrelated trade or business activities of the Institutions within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications, limitations and exceptions. Failure of any of the Institutions to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Institutions within the meaning of Section 513 of the Code, may result in interest on the Series 2007A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2007A Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the

Resolutions, the Loan Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2007A Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the Institutions, the Authority and other persons will not cause any of the Series 2007A Bonds to exceed the $150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Series 2007A Bonds, the Resolutions, the Loan Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2007A Bonds and express no opinion with respect thereto herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The Series 2007A Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2007A Bonds, of the Revenues and any other amounts (including the proceeds of the sale of the Series 2007A Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. Each Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the respective Institution, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2007A Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2007A Bonds. The Series 2007A Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Interest on the Series 2007A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New

York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL RELATED TO THE SERIES 2007B BONDS

__________, 2007

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

Re: $123,265,000 North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Dormitory Authority of the State of New York (the "Authority") of $123,265,000 aggregate principal amount of its above-referenced bonds (the "Series 2007B Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and the Authority's North Shore Health System Obligated Group Revenue Bond Resolution, adopted June 24, 1998, as supplemented and amended (the "Resolution"), and the Series 2007B Resolution Authorizing North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2007B, adopted April 25, 2007, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series 2007B Bonds (the "Series 2007B Resolution"). The Resolution and the Series 2007B Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into separate Loan Agreements with North Shore University Hospital, Forest Hills Hospital, Glen Cove Hospital, Plainview Hospital, Long Island Jewish Medical Center Hospital and North Shore University Hospital Stern Family Center for Extended Care and Rehabilitation (each an "Institution" and, collectively, the "Institutions") each dated as of April 25, 2007 (each a "Loan Agreement" and, collectively, the "Loan Agreements"), providing, among other things, for a loan to each Institution for the purposes permitted in the respective Loan Agreement and by the Resolutions. Pursuant to each Loan Agreement, each respective Institution is required to make payments sufficient to pay its allocable portion of the principal, sinking fund installments and redemption price of and interest on the Series 2007B Bonds, as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2007B Bonds.

The Series 2007B Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Loan Agreements. The obligations of each of the Institutions under its respective Loan Agreement will be secured by a mortgage on certain health care facilities of the applicable Institution. In addition, the Series 2007B Bonds are secured by payments to be made by the Obligated Group on its Obligation No. 27, dated as of May 1, 2007 ("Obligation No. 27"), issued by the Obligated Group under a Master Trust Indenture, dated as of July 1, 1998, as amended and supplemented by the First Supplement, dated as of July 1, 2003, and as further amended and restated as of August 1, 2003 (collectively, the "Master Trust Indenture"), among the Obligated Group and The Bank of New York, as successor to United States Trust Company of New York, as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture for Obligation No. 27, dated as of May 1, 2007 ("Supplement No. 27" and together with the Master Trust Indenture and all other supplements thereto, the "Master Indenture"), among the Obligated Group and the Master Trustee. Obligation No. 27 is a joint and several obligation of the Obligated Group secured by among other things, a security interest in Gross Receipts (as defined in the Master Indenture).

Interest on the Series 2007B Bonds is payable quarterly on February 1, May 1, August 1 and November 1 of each year, commencing on August 1, 2007 in accordance with the terms of the Series 2007B Resolution.

The Series 2007B Bonds are to mature on the date and in the year and amount set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2007B Bonds. The Series 2007B Bonds are to be issued in fully registered form in the denominations of $5,000 and any integral multiple thereof. The Series 2007B Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In such connection, we have reviewed the Resolutions, the Loan Agreements, Obligation No. 27, the Master Indenture, the Mortgages (as defined in the Loan Agreements) granted by the Institutions and the other Members of the Obligated Group to the Authority, the Tax Certificate and Agreement as of the date hereof (the "Tax Certificate"), between the Authority, the Institutions and the Representative, opinions of counsel to the Authority, the Trustee, the Institutions and the Representative, certificates of the Authority, the Trustee, the Institutions, the Representative and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Winston & Strawn LLP, counsel to the Obligated Group and the Representative regarding, among other matters, the current qualification of the each of the Institutions as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed with the proceeds of the Series 2007B Bonds in activities that are not considered unrelated trade or business activities of the Institutions within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications, limitations and exceptions. Failure of any of the Institutions to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Institutions within the meaning of Section 513 of the Code, may result in interest on the Series 2007B Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2007B Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2007B Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the Institutions, the Authority and other persons will not cause any of the Series 2007B Bonds to exceed the $150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Series 2007B Bonds, the Resolutions, the Loan Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2007B Bonds and express no opinion with respect thereto herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The Series 2007B Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2007B Bonds, of the Revenues and any other amounts (including the proceeds of the sale of the Series 2007B Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. Each Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the respective Institution, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2007B Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2007B Bonds. The Series 2007B Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Series 2007B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2007B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Interest on the Series 2007B Bonds is exempt from personal income taxes

imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP