



DAC Bond®

REMARKETING CIRCULAR
\$171,380,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ROYAL CHARTER PROPERTIES-EAST, INC.
REVENUE BONDS

\$147,770,000
Series 2006A

\$23,610,000
Series 2006B
(Federally Taxable)

Date of Issuance: November 16, 2006 **Price: 100%**

Date of Remarketing: March 17, 2008

Due: November 15, 2036

The Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and Series 2006B (Federally Taxable) (the "Series 2006B Bonds" and, together with the Series 2006A Bonds, the "Series 2006 Bonds") were issued on November 16, 2006 as auction rate securities and are subject to mandatory tender for purchase and remarketing on March 17, 2008 in connection with the adjustment of the mode of determining interest on each Series of the Series 2006 Bonds to a Weekly Variable Rate Mode. The Series 2006 Bonds were originally issued by the Dormitory Authority of the State of New York (the "Authority") on November 16, 2006 under and pursuant to the Authority's Royal Charter Properties-East, Inc. Revenue Bond Resolution adopted on September 27, 2006 (the "Bond Resolution") and, with respect to the Series 2006A Bonds, the Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "Series 2006A Resolution") and, with respect to the Series 2006B Bonds, the Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B (the "Series 2006B Resolution" and, together with the Series 2006A Resolution, the Series 2006 Resolutions"), each adopted on September 27, 2006.

Payment and Security: The Bonds are special obligations of the Authority, payable from and secured by a pledge of (i) certain revenues received on behalf of the Authority from payments to be made by Royal Charter Properties-East, Inc. (the "Institution") pursuant to a mortgage note with respect to the Series 2006A Bonds and a mortgage note with respect to the Series 2006B Bonds (collectively, the "Notes") and a Loan Agreement, dated as of September 27, 2006 (the "Loan Agreement"), between the Authority and the Institution, and (ii) those funds and accounts (except the Arbitrage Rebate Fund and the Bond Purchase Fund) authorized by the Bond Resolution and the applicable Series 2006 Resolution. The Notes and the Loan Agreement are general obligations of the Institution.

In addition, payment of the principal of, interest on and purchase price of the Series 2006 Bonds will be payable from funds advanced under an irrevocable direct-pay credit enhancement instrument with respect to the Series 2006A Bonds (the "Series 2006A Credit Enhancement Instrument") and with respect to the Series 2006B Bonds (the "Series 2006B Credit Enhancement Instrument" and, together with the Series 2006A Credit Enhancement Instrument, the "Credit Enhancement Instruments") issued by:



The Credit Enhancement Instruments will expire on November 20, 2036, however, the right of the Trustee to draw on either Credit Enhancement Instrument to pay the purchase price of the Series 2006 Bonds optionally tendered and not remarketed will expire on March 17, 2018, unless earlier terminated or, unless otherwise specified in writing by Fannie Mae to the Trustee, automatically extended for one calendar year on each March 17. Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instruments are absolute, unconditional and irrevocable.

The Series 2006 Bonds are not a debt of the State of New York (the "State") and the State is not liable thereon. The Authority has no taxing power.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE SERIES 2006 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENTS. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENTS WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE SERIES 2006 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE.

Description: Each Series of the Series 2006 Bonds will bear interest from March 17, 2008 to and including the following Tuesday at a rate per annum determined by Goldman, Sachs & Co. (the "Remarketing Agent"). Thereafter, unless the mode of determining interest on the Series 2006 Bonds is adjusted to an ARS Rate, a Reset Rate or a Fixed Rate, the Series 2006 Bonds will bear interest at the Weekly Variable Rate determined by the Remarketing Agent on Tuesday of each calendar week (or if such Tuesday is not a Business Day, the first Business Day prior to such Tuesday), and will remain in effect for the period beginning on Wednesday of such week and ending on and including the following Tuesday. While bearing interest at Weekly Variable Rates, interest on the Series 2006 Bonds is payable on the fifteenth (15th) day of each calendar month. **This Remarketing Circular, in general, describes the Series 2006 Bonds only while bearing interest at Weekly Variable Rates.**

The Series 2006 Bonds were issued under a Book-Entry Only System, and are registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2006 Bonds will be made in book-entry form without certificates. So long as DTC or its nominee is the registered owner of the Series 2006 Bonds, payments of the principal and Redemption Price of and interest on such Series 2006 Bonds will be made by The Bank of New York, New York, New York, as Trustee and Paying Agent, 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 2006 BONDS - Book-Entry Only System."

Redemption and Tender: *The Series 2006 Bonds are subject to optional and mandatory redemption prior to maturity and optional and mandatory tender for purchase as more fully described herein.*

Tax Matters: In the opinion of Bond Counsel, dated the date of issue of the Series 2006 Bonds, under then existing statutes, regulations, rulings and court decisions, interest on the Series 2006A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance with certain covenants and the accuracy of certain representations, and interest on the Series 2006B Bonds is included in gross income for federal income tax purposes. In the further opinion of Bond Counsel, dated the date of issue of the Series 2006 Bonds, interest on the Series 2006A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. In the opinion of Bond Counsel, dated the date of issue of the Series 2006 Bonds, under then existing statutes, interest on the Series 2006 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). In the opinion of Bond Counsel, to be dated the date of the remarketing of the Series 2006 Bonds, the adjustment of the interest rate on the Series 2006A Bonds from the ARS Rate to the Weekly Variable Rate will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2006A Bonds. See "PART 10—TAX MATTERS" herein..

In connection with the adjustment of the mode of determining interest on the Series 2006 Bonds, certain legal matters will be passed upon by Winston & Strawn LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters related to the Series 2006 Bonds will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox LLP, New York, New York. Certain legal matters will be passed upon for the Institution by its Special Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Remarketing Agent by its Counsel, Hawkins Delafield & Wood LLP, New York, New York. The Authority expects to deliver the Series 2006 Bonds in definitive form in New York, New York upon remarketing on or about March 17, 2008.

Goldman, Sachs & Co.
Remarketing Agent

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution or the Remarketing Agent to give any information or to make any representations with respect to the Series 2006 Bonds, other than the information and the representations contained in this Remarketing Circular. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution or the Remarketing Agent.

This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2006 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 Remarketing Circular has been furnished by the Institution, Fannie Mae and by certain other sources that the Authority believes are reliable. Neither the Authority nor the Remarketing Agent guarantees the accuracy or completeness of such information and such information is not to be construed as a representation by the Authority or the Remarketing Agent.

The Institution has reviewed the parts of this Remarketing Circular describing the Institution, The New York and Presbyterian Hospital, RCP-East, LLC, the Project, Estimated Sources and Uses of Funds and Appendix B. The Institution shall certify as of the date of this Remarketing Circular that such parts do not contain any untrue statements of a material fact and do not omit any material fact necessary to make the statements made therein, in light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Remarketing Circular.

Fannie Mae has not provided or approved any information in this Remarketing Circular except with respect to the description in “PART 6 - FANNIE MAE,” takes no responsibility for any other information contained in this Remarketing Circular, and makes no representation as to the contents of this Remarketing Circular. Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the Series 2006 Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae’s role with respect to the Series 2006 Bonds is limited to issuing and discharging its obligations under the Credit Enhancement Instruments described herein.

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

References in this Remarketing Circular to the Act, the Resolution, the Loan Agreement, the Mortgages, the Credit Enhancement Instruments and the Reimbursement Agreement (each as defined herein) do not purport to be complete. Refer to the Act, the Resolution, the Loan Agreement, the Mortgages, the Credit Enhancement Instruments and the Reimbursement Agreement for full and complete details of their provisions. Copies of the Resolution, the Loan Agreement, the Mortgages, the Credit Enhancement Instruments and the Reimbursement Agreement are on file with the Authority and the Trustee.

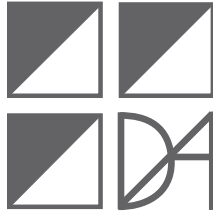
The order and placement of material in this Remarketing Circular, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Remarketing Circular, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Remarketing Circular or any sale made after its delivery create any implication that the affairs of the Authority, the Institution or Fannie Mae have remained unchanged after the date of this Remarketing Circular.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2006 BONDS, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR

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\$171,380,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
ROYAL CHARTER PROPERTIES-EAST, INC.
REVENUE BONDS, SERIES 2006

\$147,770,000
Series 2006A

\$23,610,000
Series 2006B
(Federally Taxable)

PART 1 – INTRODUCTION

Purpose of the Remarketing Circular

The purpose of this Remarketing Circular, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the “Authority”), Fannie Mae and Royal Charter Properties-East, Inc. (the “Institution”) in connection with the remarketing of the Authority’s \$171,380,000 principal amount of its Royal Charter Properties-East, Inc. Revenue Bonds, consisting of two series: \$147,770,000 Series 2006A (the “Series 2006A Bonds”) and \$23,610,000 Series 2006B (Federally Taxable) (the “Series 2006B Bonds”), all of which currently remain outstanding. The Series 2006A Bonds and the Series 2006B Bonds are collectively referred to in this Remarketing Circular as the “Series 2006 Bonds.” The Series 2006 Bonds were issued on November 16, 2006 as auction rate securities. Pursuant to the Resolution (as hereinafter defined), the Series 2006 Bonds will be subject to mandatory tender for purchase and remarketed on March 17, 2008 in connection with the adjustment of the mode of determining interest on the Series 2006 Bonds to a Weekly Variable Rate.

The following is a brief description of certain information concerning the Series 2006 Bonds, the Authority, Fannie Mae, the Institution, the Project (as hereinafter defined) and the payment of and security for the Series 2006 Bonds. A more complete description of such information and additional information that may affect decisions to invest in the Series 2006 Bonds is contained throughout this Remarketing Circular, which should be read in its entirety. Certain terms used in this Remarketing Circular are defined in Appendix A hereto.

Purpose of the Issue

The Series 2006 Bonds were originally issued on November 16, 2006 to finance a mortgage loan (the “Mortgage Loan”) to the Institution for the purpose of financing and/or refinancing (i) the demolition of existing buildings and design, development and construction of an approximately 354,000 square foot, 20-story mixed use facility and 96-space parking garage located at 1330 First Avenue between 71st and 72nd Streets in New York City and acquisition of certain air development rights over an adjacent building (the “First Avenue Development”), to be used primarily as staff housing for employees of The New York and Presbyterian Hospital (the “Hospital”) and

certain of its not-for-profit affiliates, (ii) the acquisition of Payson House, a 35-story, 393-unit staff housing facility for employees of the Hospital and certain of its not-for-profit affiliates, located at 435 East 70th Street between First Avenue and York Avenue in New York City (“Payson House”), (iii) capitalized interest on the Series 2006 Bonds, (iv) costs of acquiring an interest rate cap, and (v) certain Costs of Issuance in connection with the Series 2006 Bonds (collectively, the “Project”). The First Avenue Development is owned by RCP-East, LLC, a New York limited liability company of which the Institution is the sole member. See “PART 5 - THE PROJECT” herein.

Authorization of Issuance

The Series 2006 Bonds were issued pursuant to the Act and the Authority’s Royal Charter Properties-East, Inc. Revenue Bond Resolution adopted on September 27, 2006 (the “Bond Resolution”), as supplemented with respect to the Series 2006A Bonds, by the Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the “Series 2006A Resolution”) and, with respect to the Series 2006B Bonds, by the Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B (the “Series 2006B Resolution” and, together with the Series 2006A Resolution, the “Series 2006 Resolutions”), each adopted on September 27, 2006, and, with respect to the Series 2006A Bonds, by a bond series certificate fixing the terms and details of the Series 2006A Bonds (the “Series 2006A Certificate”), and, with respect to the Series 2006B Bonds, by a bond series certificate fixing the terms and details of the Series 2006B Bonds (the “Series 2006B Certificate” and, together with the Series 2006A Certificate, the “Series 2006 Certificates”). The Bond Resolution, the Series 2006 Resolutions and the Series 2006 Certificates are collectively referred to herein as the “Resolution.”

The Bond Resolution authorizes the issuance of multiple series of bonds (collectively, the “Bonds”) pursuant to separate series resolutions (each a “Series Resolution”) for the benefit of the Institution. Each Series of Bonds issued under the Bond Resolution (each a “Series”) and a respective Series Resolution, including the Series 2006 Bonds, is to be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolution and (ii) certain revenues received by the Authority from payments to be made by the Institution under the mortgage note and the loan agreement relating to each such Series. Pursuant to the Bond Resolution, neither the funds and accounts established under any Series Resolution, nor any loan agreement nor any note delivered in connection with a Series of Bonds, shall secure any other Series of Bonds, except as may be otherwise provided therein. All references to funds and accounts in this Remarketing Circular are to those funds and accounts authorized to be created pursuant to the Bond Resolution and so designated and established by the applicable Series 2006 Resolution.

The Authority

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

The Institution

The Institution is a New York not-for-profit corporation, established in 1983 by The Society of the New York Hospital (which merged with The Presbyterian Hospital in the City of New York in 1998 to form the Hospital). Its purposes include developing and managing real estate for the benefit of the Hospital and other charitable organizations affiliated with the Hospital. The Institution has received a determination from the Internal Revenue Service that it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or corresponding provisions of a predecessor code (the “Code”). See “PART 4 - THE INSTITUTION.”

The Mortgage Loan

The proceeds of each Series of the Series 2006 Bonds were loaned to the Institution pursuant to a Loan Agreement dated as of September 27, 2006, between the Authority and the Institution (the “Loan Agreement”). The Mortgage Loan is evidenced by a mortgage note with respect to the Institution’s obligations in connection with the Series 2006A Bonds (the “Series 2006A Note”) and a mortgage note with respect to the Institution’s obligations in connection with the Series 2006B Bonds (the “Series 2006B Note” and, together with the Series 2006A Note, the “Notes”), in each case executed by the Institution in favor of the Authority. The Institution’s obligations under the Notes are secured by a first priority Multifamily Mortgage, Assignment of Rents and Security Agreement (the

“Payson Mortgage”) encumbering Payson House and a fourth priority Multifamily Mortgage, Assignment of Rents and Security Agreement (the “Helmsley Mortgage” and together with the Payson Mortgage, the “Mortgages”) encumbering an approximately 631,000 square foot, 36-story multi-purpose building and subsurface parking owned by the Institution and known as Helmsley Medical Tower, located between 70th and 71st Streets on the easterly side of York Avenue in New York City (the “Helmsley Tower” and, together with Payson House, the “Mortgaged Property”). There is no mortgage encumbering the First Avenue Development financed with proceeds of the Series 2006 Bonds. Each of the Notes and the Mortgages, together with all of the Authority’s right, title and interest in and to the Loan Agreement, were assigned by the Authority (subject to the reservation by the Authority of certain rights) to The Bank of New York, as trustee (the “Trustee”) and Fannie Mae as the issuer of the Credit Enhancement Instruments (hereinafter defined), as their interests may appear, pursuant to the Resolution and an Assignment and Intercreditor Agreement, dated as of November 1, 2006, between Fannie Mae, the Authority and the Trustee and acknowledged, accepted and agreed to by the Institution (the “Assignment”). Fannie Mae has the right under the Assignment to direct the Trustee to assign the Notes and the Mortgages to Fannie Mae in certain events. See “PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2006 BONDS – The Assignment.”

Fannie Mae has designated Wachovia Multifamily Capital, Inc. (the “Loan Servicer”) to service the Mortgage Loan for Fannie Mae but may elect to service the Mortgage Loan itself.

The Series 2006 Bonds

The Series 2006 Bonds were issued as auction rate securities on November 16, 2006. On March 17, 2008, the Series 2006 Bonds will be subject to mandatory tender for purchase and will be remarketed as variable rate obligations which will bear interest from March 17, 2008 to and including the following Tuesday at a rate per annum determined by Goldman, Sachs & Co. as remarketing agent for the Series 2006 Bonds (the “Remarketing Agent”). Thereafter, the Series 2006 Bonds will bear interest at the Weekly Variable Rate, to be determined by the Remarketing Agent from time to time in accordance with the Resolution, unless the method of determining interest on the Series 2006 Bonds is adjusted to an auction rate (the “ARS Rate”), a reset rate (the “Reset Rate”) or a fixed rate to maturity (the “Fixed Rate”), as provided in the Resolution. See “PART 3 - DESCRIPTION OF THE SERIES 2006 BONDS.” The interest rate mode for the Series 2006 Bonds must be the same for each Series of Series 2006 Bonds, however, the interest rate established with respect to each Series of Series 2006 Bonds shall be determined separately for each Series and need not be the same interest rate. The Series 2006 Bonds are subject to a maximum interest rate of twelve percent (12%) per annum, subject to adjustment in accordance with the Resolution (the “Maximum Rate”).

During any period of time in which the Series 2006 Bonds bear interest at the Weekly Variable Rate, such Series 2006 Bonds are subject to optional and mandatory tender for purchase at a price equal to 100% of the principal amount of such Series 2006 Bonds plus accrued and unpaid interest thereon to the date of purchase (the “Purchase Price”). Payment of the Purchase Price of tendered Series 2006 Bonds that are not remarketed shall be paid with amounts provided pursuant to the respective Credit Enhancement Instruments (hereinafter defined). See “PART 3 - THE SERIES 2006 BONDS – Tender and Purchase of Series 2006 Bonds.” The Series 2006 Bonds are also subject to optional and mandatory redemption prior to maturity as provided in the Resolution and described herein. See “PART 3 - THE SERIES 2006 BONDS – Redemption of Series 2006 Bonds.”

This Remarketing Circular in general describes the Series 2006 Bonds only while the Series 2006 Bonds bear interest at the Weekly Variable Rate.

Payment of and Security for the Series 2006 Bonds

Each Series of the Series 2006 Bonds are special obligations of the Authority payable with respect to such Series solely from the Revenues pledged for such Series of the Series 2006 Bonds and the funds and accounts (excluding the applicable Arbitrage Rebate Fund and the applicable Bond Purchase Fund) authorized by the Bond Resolution and established with respect to the Series 2006A Bonds under the Series 2006A Resolution and with respect to the Series 2006B Bonds under the Series 2006B Resolution, in the manner provided in the Resolution. The applicable Revenues consist of all payments received or receivable by the Authority from the Institution and paid to The Bank of New York, as trustee (the “Trustee”), pursuant to the applicable Note and the Loan Agreement (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 applicable Arbitrage Rebate Fund).

In addition, the Series 2006 Bonds are payable from advances made under an irrevocable direct-pay credit enhancement instrument for the Series 2006A Bonds (the "Series 2006A Credit Enhancement Instrument") and a separate irrevocable, direct-pay credit enhancement instrument for the Series 2006B Bonds (the "Series 2006B Credit Enhancement Instrument," and together with the Series 2006A Credit Enhancement Instrument, the "Credit Enhancement Instruments") issued by Fannie Mae concurrently with, and as a condition precedent to the issuance of the Series 2006 Bonds. Each Credit Enhancement Instrument will be amended and restated on March 17, 2008. Pursuant to the Credit Enhancement Instruments, Fannie Mae will advance funds to the Trustee with respect to the payment of: (a) the principal of the applicable Series 2006 Bonds when due by reason of acceleration, redemption, defeasance or stated maturity, and (b) up to 35 days' interest thereon (computed at the Maximum Rate) to pay the interest on the applicable Series 2006 Bonds when due on or prior to their stated maturity date. Fannie Mae will also advance funds under the Credit Enhancement Instruments to the Trustee up to the principal amount of the applicable Series 2006 Bonds and interest thereon (computed at the Maximum Rate) for up to 35 days in order to pay the Purchase Price of such Series 2006 Bonds tendered and not remarketed. The Credit Enhancement Instruments will expire on November 20, 2036 (five days after the final maturity of the related Series of Series 2006 Bonds), unless earlier terminated in accordance with its terms and as described herein. However, the right of the Trustee to draw on the Credit Enhancement Instruments to pay the Purchase Price of the applicable Series 2006 Bonds optionally tendered for purchase and not remarketed will expire on March 17, 2018, unless earlier terminated or, unless otherwise specified in writing by Fannie Mae to the Trustee, automatically extended for one calendar year on each March 17. Each Credit Enhancement Instrument constitutes a "Credit Facility" under the Resolution and Fannie Mae constitutes a "Credit Facility Provider" under the Resolution. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2006 BONDS."

The Institution entered into a Master Credit Facility and Reimbursement Agreement, dated as of March 30, 2005, which was amended by Amendment No. 1 to Master Credit Facility and Reimbursement Agreement, dated as of November 16, 2006 (the "Reimbursement Agreement"), with Fannie Mae and Wachovia Multifamily Capital, Inc. ("Wachovia"), successor by merger to American Property Financing, Inc. Pursuant to the Reimbursement Agreement (i) Wachovia has established a line of credit to originate conventional loans made to the Institution; (ii) Fannie Mae has agreed to purchase such conventional loans from Wachovia; and (iii) Fannie Mae has agreed to provide credit enhancement in favor of the Institution for bond-financed loans (collectively, the "Master Credit Facility"). The aggregate principal amount of borrowing capacity under the Master Credit Facility was at the time of issuance of the Series 2006 Bonds and is currently \$243,665,000, which amount represents the combined valuations assigned by Fannie Mae to each of the properties comprising the collateral pool under the Master Credit Facility. The only properties comprising the collateral pool are Helmsley Tower and Payson House, for each of which the Institution has granted a second priority mortgage of its interests to Fannie Mae. In addition, the Institution granted a third priority mortgage on Helmsley Tower to Fannie Mae, and the Trustee, Fannie Mae and the Authority have agreed, pursuant to the Assignment, that if at any time after the issuance of the Series 2006 Bonds, the Institution grants an additional mortgage on Helmsley Tower to Fannie Mae, whether as security for the Retained Bond Proceeds Amount (defined below) or otherwise, such mortgage shall have priority over the mortgage on Helmsley Tower running to the Authority as described in the next paragraph. Under the terms of the Reimbursement Agreement, the borrowing capacity under the Master Credit Facility may be increased to a principal amount not to exceed \$400,000,000.

As of the date of this Remarketing Circular, no conventional loans have been originated under the Master Credit Facility; however, the Credit Enhancement Instruments are the third and fourth bond credit enhancements issued pursuant to the Master Credit Facility. The first and second bond credit enhancements were issued by Fannie Mae on March 30, 2005 in connection with the issuance of \$98,775,000 aggregate principal amount of Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series A and 2005 Series B (the "HDC Bonds") by the New York City Housing Development Corporation ("HDC"), the proceeds of which were loaned to the Institution to refinance a mortgage loan (the "HDC Mortgage Loan"). To secure its loan from HDC, the Institution granted a first priority mortgage to HDC of its interests in Helmsley Tower (the "HDC Helmsley Mortgage"), which mortgage was assigned to The Bank of New York as trustee for the HDC Bonds (the "HDC Trustee") and to Fannie Mae, as their interests may appear. The HDC Trustee assigned the mortgage rights assigned to it by HDC to Fannie Mae. In connection with the issuance and delivery of the Series 2006 Bonds, the Institution granted (i) a third priority mortgage of its interests in Payson House to HDC (the "HDC Payson House Mortgage" and, together with the HDC Helmsley Mortgage, the "HDC Mortgages"), as additional security for the HDC Mortgage Loan, and (ii) as discussed above under the heading "The Mortgage Loan", a fourth priority mortgage of its interests in Helmsley Tower to the Authority, which mortgages were assigned to the HDC Trustee or the Trustee, as applicable, and Fannie Mae, as their interests may appear. The Authority, HDC, the Trustee and the HDC Trustee entered into an Intercreditor Agreement (the "Intercreditor Agreement") with The Bank of New York, as

trustee thereunder (the “Intercreditor Trustee”) on the date of delivery of the Series 2006 Bonds to address the rights of the parties thereunder in the event that Fannie Mae has failed to honor its payment obligations with respect to the Series 2006 Bonds and/or the HDC Bonds. The Intercreditor Agreement delineates the rights of the parties to enforce remedies under the Mortgages and the HDC Mortgages, respectively, and provides for the allocation of any proceeds of a foreclosure of any of the Mortgages or the HDC Mortgages and/or the proceeds of any insurance claim or condemnation proceedings, such share to be determined on a pro rata basis by the proportion of the principal amount of the HDC Bonds and the Series 2006 Bonds then outstanding. See “PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2006 BONDS – The Intercreditor Agreement.”

Because the combined bond credit enhancement commitments of Fannie Mae with respect to the HDC Bonds and the Series 2006 Bonds exceeded the borrowing capacity under the Master Credit Facility at the time of issuance of the Series 2006 Bonds, Fannie Mae required, and the Institution agreed, that as a condition precedent to the disbursement of the last \$22,745,000 of proceeds of the Series 2006A Bonds and the \$3,635,000 of proceeds of the Series 2006B Bonds (collectively, the “Retained Bond Proceeds Amount”), if there then exists a deficiency in the borrowing capacity under the Master Credit Facility, the Institution must provide additional collateral in the form of cash, a letter of credit, a guaranty or a mortgage on other real property (the “Retained Bond Proceeds Additional Collateral”), in amounts satisfying the requirements of the Reimbursement Agreement. After providing such Retained Bond Proceeds Additional Collateral, then all or a portion of the Retained Bond Proceeds Amount may be disbursed to the Institution provided that following such disbursement there will not then exist a shortfall in the borrowing capacity under the Master Credit Facility. The Authority and HDC will each have a co-equal first lien priority on any Retained Bond Proceeds Collateral provided by the Institution which is comprised of real property and any mortgages related thereto, which mortgages will be assigned to the Trustee and Fannie Mae, as their interests may appear. The Institution currently desires to draw on the Retained Bond Proceeds Amount and is seeking a letter of credit from a commercial bank to serve as Retained Bond Proceeds Additional Collateral.

Fannie Mae further required that to the extent the Retained Bond Proceeds Additional Collateral provided by the Institution is not real property, then on or prior to the fourth (4th) anniversary date of the issuance of the Series 2006 Bonds, if the value assigned to the real estate collateral then comprising the collateral pool does not equal or exceed the total of the credit enhancement commitments made by Fannie Mae under the Master Credit Facility (that is, based on the real estate collateral only there exists a shortfall in the borrowing capacity), then the Institution must either (a) replace the existing non-real estate collateral with a collateral interest in real property satisfying the requirements of the Reimbursement Agreement, or (b) prepay a portion of the Mortgage Loan to effect a redemption of the Series 2006 Bonds in an amount that will reduce Fannie Mae’s credit enhancement commitments to the available borrowing capacity represented by the real property collateral pool under the Master Credit Facility (the “Loan Equalization Amount”). If the Institution fails to effect such replacement or repayment, then Fannie Mae will have the right to direct the Trustee to redeem Series 2006 Bonds in an amount equal to such Loan Equalization Amount. In the event that the Series 2006 Bonds are redeemed under such circumstances, Fannie Mae will be obligated to honor a draw under the applicable Credit Enhancement Instrument to pay principal of and interest on the Series 2006 Bonds to the date of redemption, and will be reimbursed from the proceeds of the non-real estate Retained Bond Proceeds Collateral provided by the Institution as described herein. See “PART 3 – THE SERIES 2006 BONDS – Redemption of Series 2006 Bonds – *Mandatory Redemption – Loan Equalization Payment*” herein.

In addition, if by the fourth (4th) anniversary date of the issuance of the Series 2006 Bonds, all or a portion of the Retained Bond Proceeds Amount has not been released to the Institution (because the Institution has failed to provide Retained Bond Proceeds Additional Collateral in amounts sufficient to permit the disbursement of any or all of the Retained Bond Proceeds Amount), then such remaining proceeds will not be disbursed and the Series 2006 Bonds will be subject to mandatory redemption in an amount equal to the remaining portion of the Retained Bond Proceeds Amount. In the event that a portion of the Series 2006 Bonds are redeemed as described above, Fannie Mae will be obligated to honor a draw under the applicable Credit Enhancement Instrument to pay principal of and interest on the Series 2006 Bonds to the date of redemption, and will be reimbursed from the remaining Retained Bond Proceeds Amount. See “PART 3 – THE SERIES 2006 BONDS – Redemption of Series 2006 Bonds – *Mandatory Redemption – Unexpended Proceeds*” herein.

Under the terms of the Reimbursement Agreement, a default under any of the Mortgages, the HDC Mortgages or any of other mortgages encumbering other bond-financed projects or conventional loan projects that may be financed pursuant to the Master Credit Facility will, at Fannie Mae’s option, constitute a default under the Reimbursement Agreement. Consequently, a default with respect to the HDC Mortgages or any other bond-financed loan or any conventional loan made under the Master Credit Facility could result in an event of default under the Reimbursement Agreement whether or not the Series 2006 Bonds or the Mortgage Loan are in default.

Upon an event of default under the Reimbursement Agreement, Fannie Mae, at its option, may direct the Trustee to redeem all or a portion of the Series 2006 Bonds or require all or a portion of the Series 2006 Bonds to be tendered for purchase. In such event, Fannie Mae will be obligated to honor a draw under the applicable Credit Enhancement Instrument to pay principal of and interest on the Series 2006 Bonds to the date of redemption or tender. See Appendix E - “Summary of Certain Provisions of the Reimbursement Agreement” and “PART 3 - THE SERIES 2006 BONDS – Mandatory Tender and Purchase of Series 2006 Bonds – *Upon an Event of Default Under the Reimbursement Agreement*” and “ - Redemption of Series 2006 Bonds – *Mandatory Redemption – Following an Event of Default under the Reimbursement Agreement.*”

FANNIE MAE’S OBLIGATIONS WITH RESPECT TO THE SERIES 2006 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENTS. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENTS WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE SERIES 2006 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE SERIES 2006 BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

The Series 2006 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2006 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the sources of payment of and security for the Series 2006 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 Loan Agreement, the Mortgages and the Credit Enhancement Instruments, copies of which are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2006 Bonds; Special Obligations of the Authority

The Resolution provides that each Series of the Series 2006 Bonds are special obligations of the Authority, separately secured and payable with respect to such Series solely from the Revenues pledged for such Series of the Series 2006 Bonds and the funds and accounts (excluding the applicable Arbitrage Rebate Fund and the applicable Bond Purchase Fund) authorized by the Bond Resolution and established with respect to the Series 2006A Bonds under the Series 2006A Resolution and with respect to the Series 2006B Bonds under the Series 2006B Resolution, in the manner provided in the Resolution. The applicable Revenues consist of all payments received or receivable by the Authority from the Institution and paid to the Trustee pursuant to the applicable Note and the Loan Agreement (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 applicable Arbitrage Rebate Fund).

The Authority shall not be obligated to pay the principal of, or interest on, any Series of the Series 2006 Bonds except from the Revenues and funds pledged therefor under the Resolution. Neither the faith and credit nor the taxing power of the State of New York (the “State”) or any municipality or political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2006 Bonds. The Authority has no taxing power.

Requirement of a Credit Facility

The Resolution provides that while the Series 2006 Bonds bear interest at a Weekly Variable Rate, one or more Credit Facilities be in effect providing credit support and liquidity support for each such Series of the Series 2006 Bonds and satisfying the requirements of the Resolution. Each Credit Facility (a) is required to be in an amount equal to the aggregate principal amount of the applicable Series of Series 2006 Bonds outstanding from time to time plus the Interest Requirement, (b) is required to provide for payment in immediately available funds to the Trustee upon receipt of the Trustee’s request for such payment with respect to any Interest Payment Date,

mandatory redemption date or purchase date (if applicable), and (c) unless waived by the Authority in its sole discretion, shall result in the applicable Series of Series 2006 Bonds receiving a short-term rating in the highest rating category of each rating agency then rating the Series 2006 Bonds or a long-term rating in one of the three highest rating categories of each such rating agency.

The Credit Enhancement Instruments

Each Credit Enhancement Instrument constitutes a “Credit Facility” under the Resolution and Fannie Mae constitutes a “Credit Facility Provider” under the Resolution.

Under the terms of each Credit Enhancement Instrument, Fannie Mae will advance funds to the Trustee for the payment of: (i) the principal of the applicable Series of Series 2006 Bonds when due (other than Pledged Bonds (defined below) or Series 2006 Bonds held by the Institution or any Affiliate of the Institution) by reason of acceleration, defeasance, redemption or stated maturity; (ii) up to 35 days’ interest at the Maximum Rate due on the applicable Series of Series 2006 Bonds (other than Pledged Bonds or Series 2006 Bonds held by the Institution or any Affiliate of the Institution) on or prior to their stated maturity date; and (iii) a portion of the Authority’s Annual Administrative Fee (the “Fee Component”), if such fee is not paid to the Authority by the Institution in accordance with the Loan Agreement. Fannie Mae also will advance funds under the Credit Enhancement Instruments to the Trustee up to the principal amount of the applicable Series 2006 Bonds and interest thereon at the Maximum Rate for up to 35 days in order to pay the Purchase Price of such Series 2006 Bonds tendered and not remarketed pursuant to the Remarketing Agreement. The Maximum Rate for the Series 2006 Bonds is twelve percent (12%) per annum but, in accordance with the Resolution and subject to certain conditions set forth therein, including the written consent of the Institution and the Credit Facility Provider, the Maximum Rate may be increased to a higher rate not to exceed fifteen percent (15%).

Fannie Mae’s obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instruments are absolute, unconditional and irrevocable.

To the extent of advances made under a Credit Enhancement Instrument for the payment of the Fee Component and the principal amount of the applicable Series 2006 Bonds and interest thereon, the obligations of Fannie Mae under such Credit Enhancement Instrument will be correspondingly reduced, but with respect to advances made under the Credit Enhancement Instrument for the Fee Component and the payment of interest on such Series 2006 Bonds, the Fee Component and the interest component of such Credit Enhancement Instrument will be automatically reinstated, provided, however, the interest component will be reduced without reinstatement to the extent of any reduction in the principal amount of Series 2006 Bonds. With respect to advances made under a Credit Enhancement Instrument to pay the Purchase Price of Series 2006 Bonds tendered or deemed tendered, such Credit Enhancement Instrument will be correspondingly reduced and will be reinstated to the extent the applicable Series 2006 Bonds are subsequently remarketed and Fannie Mae is reimbursed for such advances as provided in the Resolution. Outstanding Series 2006 Bonds purchased by the Trustee as Tender Agent with funds provided by such advances will be owned by the Institution and will be pledged for the benefit of Fannie Mae (“Pledged Bonds”).

The Credit Enhancement Instruments do not expire until November 20, 2036 (five days after the final maturity of the Series 2006 Bonds). However, the right of the Trustee to draw on the Credit Enhancement Instruments to pay the Purchase Price of the applicable Series 2006 Bonds optionally tendered to the Tender Agent and not remarketed will expire on March 17, 2018 (the “Liquidity Expiration Date”), unless earlier terminated or, unless otherwise specified in writing by Fannie Mae to the Trustee, automatically extended for one calendar year on each March 17. Each Credit Enhancement Instrument will automatically terminate on the first to occur of: (a) November 20, 2036; (b) the honoring by Fannie Mae of the final draw available to be made under the Credit Enhancement Instrument such that the principal portion of the amount available will be reduced to zero and will not be subject to reinstatement; or (c) receipt of a written notice signed by the Trustee’s duly authorized officer stating that none of the related Series 2006 Bonds are Outstanding under the Resolution or that Fannie has exchanged such Credit Enhancement Instrument with a new Credit Facility issued by Fannie Mae in accordance with the Bond Resolution.

FANNIE MAE’S OBLIGATIONS WITH RESPECT TO EACH SERIES OF THE SERIES 2006 BONDS ARE SOLELY AS PROVIDED IN THE RELATED CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER EACH CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED

CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE SERIES 2006 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE SERIES 2006 BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Pledge of the Resolution

Pursuant to the Resolution, the Authority has pledged to the Trustee for the benefit of the Holders of each Series of Series 2006 Bonds and the Credit Facility Provider, as security for (a) the payment of the principal and interest on such Series of the Series 2006 Bonds and the performance of any other obligations of the Authority under the Bond Resolution and the applicable Series 2006 Resolution, and (b) all of the obligations to the Credit Facility Provider under the Reimbursement Agreement, the Assignment and the Assigned Documents, the proceeds from the sale of the applicable Series of Series 2006 Bonds, the applicable Revenues, and the funds and accounts (excluding the applicable Arbitrage Rebate Fund and the applicable Bond Purchase Fund) established with respect to such Series of the Series 2006 Bonds pursuant to the applicable Series 2006 Resolution.

The Loan Agreement and the Notes

The Authority loaned the proceeds of the Series 2006 Bonds to the Institution pursuant to the Loan Agreement. The Institution's repayment obligations on the Mortgage Loan are evidenced by the Notes, each of which is in an amount equal to the aggregate principal amount of the respective Series of Series 2006 Bonds to which such Note relates. Each Note obligates the Institution to make payments in amounts sufficient to enable the Authority to pay the principal and interest on the applicable Series of Series 2006 Bonds as they become due whether at maturity, by acceleration, by optional, mandatory or mandatory sinking fund redemption or otherwise. The Institution's obligations under the Loan Agreement and the Notes are general obligations of the Institution.

The Mortgages

As security for the Institution's obligations under the Loan Agreement and the Notes, the Institution executed and delivered the Mortgages to the Authority. The Payson Mortgage grants to the Authority a first mortgage lien on Payson House and the Helmsley Mortgage grants to the Authority a fourth mortgage lien on Helmsley Tower, provided that the Authority, the Trustee and Fannie Mae have agreed pursuant to the Assignment that such mortgage lien shall be subordinated to any future mortgage lien on Helmsley Tower granted to Fannie Mae, whether as security for the Retained Bond Proceeds Amount or otherwise. See "PART 1 – INTRODUCTION – Payment of and Security for the Series 2006 Bonds." Each Mortgage grants the Authority a security interest in, among other things, the Institution's rights in the rents and other revenues generated in connection with the Mortgaged Property to which such Mortgage relates. The Mortgages will be assigned by the Authority to the Trustee and Fannie Mae, as their interests may appear. See "The Assignment" below.

Helmsley Tower and Payson House are also encumbered by the HDC Mortgages which secure the Institution's obligations to HDC under the HDC Mortgage Loan as described above in "PART 1 – INTRODUCTION – Payment of and Security for the Series 2006 Bonds." The HDC Helmsley Mortgage grants to HDC a first mortgage lien on Helmsley Tower and the HDC Payson Mortgage grants to HDC a third mortgage lien on Payson House. Pursuant to the Intercreditor Agreement, the Mortgages and the HDC Mortgages have been given equal priority in the event of a default under any of the Mortgage Loan Documents or the HDC Mortgage Loan documents. See "The Intercreditor Agreement" below.

The Assignment

Pursuant to the Resolution and the Assignment, the Authority has assigned and delivered to Fannie Mae and the Trustee, as their interests may appear, all of its right, title and interest in and to (i) the Loan Agreement, (ii) the Notes, (iii) the Mortgages, (iv) the Retained Bond Proceeds Additional Collateral, and, if applicable, (v) any mortgage granted to the Authority in any real property or interest in real property constituting Retained Bond Proceeds Additional Collateral or, if such Retained Bond Proceeds Additional Collateral is not real property or an interest in real property, any agreement, documents or instruments with respect thereto (the "Retained Bond Proceeds Additional Collateral Security"), in each case subject to the reservation of certain rights by the Authority (the "Reserved Rights" as defined in Appendix A hereto). Except as otherwise provided in the Assignment, the right, power and authority to make decisions in connection with the Mortgage Loan under the Loan Agreement, the

Notes, the Mortgages, the Retained Bond Proceeds Additional Collateral and, if applicable, the Retained Bond Proceeds Additional Collateral Security will be vested in Fannie Mae. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Notes, the Mortgages, the Retained Bond Proceeds Additional Collateral and, if applicable, the Retained Bond Proceeds Additional Collateral Security to Fannie Mae in certain events.

The Intercreditor Agreement

Pursuant to the Intercreditor Agreement, the Authority, HDC, the Trustee, the HDC Trustee and the Intercreditor Trustee have agreed to certain procedures for the exercise of remedial actions in the event of a failure by Fannie Mae to fulfill its payment obligations under the Credit Enhancement Instruments and/or HDC credit enhancement instruments, including institution of foreclosure proceedings under any of the Mortgages or HDC Mortgages in the event of a default under the Mortgage Loan Documents or the HDC Mortgage Loan documents, as the case may be. The parties have agreed, among other things, to the deposit with the Intercreditor Trustee of any foreclosure proceeds, the proceeds from any remedial actions taken by the Authority, the Trustee, HDC, the HDC Trustee or the Intercreditor Trustee, and the proceeds from insurance claims or condemnation proceedings with respect to the Mortgaged Property, to be held in trust until disbursed in accordance with the terms of the Intercreditor Agreement. The parties have further agreed that any such foreclosure proceeds or insurance or condemnation proceeds will be transferred to the Trustee and the HDC Trustee in pro rata shares to be determined by the proportions of HDC Bonds and Series 2006 Bonds outstanding at the time of calculation notwithstanding any priority of lien of the Mortgages or the HDC Mortgages.

The Principal Reserve Funds

The Bond Resolution authorizes and each Series 2006 Resolution establishes with respect to the applicable Series of Series 2006 Bonds authorized thereby, a Principal Reserve Fund to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the applicable Principal Reserve Fund all of the monthly payments made by the Institution in accordance with the Schedule of Deposits to Principal Reserve Fund attached with respect to each Series of the Series 2006 Bonds to the Reimbursement Agreement, as such Schedules may be amended, and any amounts provided by or at the direction of the Institution to replenish withdrawals from the Principal Reserve Fund as required by the Reimbursement Agreement.

Any investment income earned on amounts on deposit in the applicable Principal Reserve Fund is to be retained therein except that if, on the Interest Payment Date following receipt by the Trustee of such interest or profits, there is a deficiency in the applicable Debt Service Fund, applicable Principal Reserve Fund or applicable Arbitrage Rebate Fund, the Trustee will transfer such investment income, in order of priority, to such Debt Service Fund, Principal Reserve Fund or Arbitrage Rebate Fund. If no such deficiency exists, and the Trustee has not received written notice from the Credit Facility Provider or the Loan Servicer to the effect that an event of default has occurred under the Reimbursement Agreement, any Mortgage Loan Documents or any Bond Document, then on such Interest Payment Date the investment income will be paid to the Institution.

Amounts on deposit in each Principal Reserve Fund will be applied by the Trustee, at the written direction of the Credit Facility Provider, (a) to reimburse the Credit Facility Provider for any unreimbursed advance under the Credit Facility and to pay any other amounts required to be paid by the Institution under the Bond Documents, the Mortgage Loan Documents or the Reimbursement Agreement (including any amounts required to be paid to the Credit Facility Provider); (b) with the written consent of the Institution (so long as an event of default has not occurred and is not continuing under the Reimbursement Agreement), to the Credit Facility Provider or the Institution, as the Credit Facility Provider elects, for any use approved in writing by the Credit Facility Provider; (c) if a default has occurred under the Reimbursement Agreement, any Mortgage Loan Document or any Bond Document, to the Credit Facility Provider for any use approved in writing by the Credit Facility Provider; (d) if a new mortgage and mortgage note have been substituted for any of the Mortgages and the applicable Notes in accordance with the Mortgage Loan Documents, or if the Institution otherwise consents, for any purpose approved in writing by the Credit Facility Provider; and (e) to redeem Series 2006 Bonds of a Series following required transfers to the applicable Debt Service Fund as described in the immediately succeeding paragraphs and under the heading “PART 3 – THE SERIES 2006 BONDS – Redemption of Series 2006 Bonds – *Mandatory Redemption – Transfers from the Principal Reserve Fund.*” See also “Appendix D – Summary of the Resolution” for other provisions with respect to the Principal Reserve Funds.

The Resolution also provides that amounts on deposit in the Principal Reserve Funds are to be transferred to the applicable Debt Service Fund for the purpose of redeeming Series 2006 Bonds of an applicable Series (or to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of such Series of Series 2006 Bonds) (a) on any Adjustment Date in an amount necessary to redeem the applicable Series 2006 Bonds unless the Credit Facility Provider otherwise requires by written notice to the Trustee, and (b) on the twenty-fifth (25th) day of each month, in amounts (rounded down to the nearest authorized denomination) in excess of the Principal Reserve Amount. Because the Principal Reserve Amount for the Series 2006B Bonds will be \$0, it is expected that monthly redemptions of the Series 2006B Bonds from transfers from the Series 2006B Principal Reserve Fund will occur (and no Series 2006B Bonds will be outstanding) prior to any such redemptions of Series 2006A Bonds from transfers from the Series 2006A Principal Reserve Fund.

In addition, under certain circumstances referred to in the Reimbursement Agreement as a “PRF Triggering Event”, the Credit Facility Provider may require the Institution, at its option, to either direct the Trustee to redeem the Series 2006 Bonds from amounts on deposit in the applicable Principal Reserve Fund, or deliver or cause to be delivered a PRF Letter of Credit to the Trustee for deposit in the applicable Principal Reserve Fund in substitution for the moneys on deposit therein. If the Institution elects to redeem Series 2006 Bonds from amounts on deposit in the Principal Reserve Fund in lieu of providing a PRF Letter of Credit (or to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect such redemption), the Resolution provides that such amounts be applied to the redemption of Series 2006B Bonds prior to any redemption of the Series 2006A Bonds. If (a) the Institution elects to provide the Trustee with a PRF Letter of Credit, and the Trustee subsequently is required, in accordance with the Resolution, to draw on the PRF Letter of Credit as a result of the expiration of such PRF Letter of Credit (without any renewal, replacement or extension thereof) or, if the long-term debt obligations of the issuer of such PRF Letter of Credit are downgraded below certain levels as set forth in the Resolution and the Reimbursement Agreement, or (b) if the Institution fails to either cause a redemption of the Series 2006 Bonds or provide a PRF Letter of Credit following a PRF Triggering Event, then the Credit Facility Provider may direct the Trustee to apply amounts on deposit in the Principal Reserve Funds to redeem the applicable Series 2006 Bonds (or to reimburse the Credit Facility Provider in connection therewith) in an amount not exceeding the amount on deposit in the applicable Principal Reserve Fund. See “PART 3 – THE SERIES 2006 BONDS – Redemption of Series 2006 Bonds – *Mandatory Redemption* – Transfers from the Principal Reserve Fund” and “Appendix D – Summary of the Resolution.”

PART 3 - THE SERIES 2006 BONDS

General

The Series 2006 Bonds were originally issued pursuant to the Act, the Bond Resolution and the related Series 2006 Resolution. The Series 2006 Bonds are dated and will mature as set forth on the cover of this Remarketing Circular.

The Series 2006 Bonds are fully registered bonds without coupons and will be remarketed in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Series 2006 Bonds are 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 2006 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2006 Bonds, payments of the principal and Redemption Price of and interest on the Series 2006 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interest in the Series 2006 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See “Book-Entry Only System” below. If at any time the Book-Entry Only System is discontinued for the Series 2006 Bonds, the Series 2006 Bonds will be exchangeable for other fully registered Series 2006 Bonds of the same Series in any authorized denominations of the same maturity. 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 2006 Bond. The cost, if any, of preparing each new Series 2006 Bond issued upon such exchange or transfer, and any other expenses of the Institution or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2006 Bonds will be payable by check or draft mailed to the registered owners thereof. However, interest on the Series 2006 Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal

amount of the Series 2006 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 (5) days prior to the Record Date. As long as the Series 2006 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.

Each Series of the Series 2006 Bonds will be remarketed as variable rate obligations that, after an initial period to and including the Tuesday following the date of remarketing, will bear interest at the Weekly Variable Rate as determined from time to time by Goldman, Sachs & Co. (the “Remarketing Agent”) as described herein. The method of determining interest on the Series 2006 Bonds may be adjusted from the Weekly Variable Rate to an ARS Rate, a Reset Rate or a Fixed Rate (each a “Mode”) upon the terms and conditions described herein. Each Series of Series 2006 Bonds must bear interest in the same Mode as the other Series, however, the interest rate established with respect to each Series of the Series 2006 Bonds shall be determined separately for each Series and need not be the same interest rate.

This Remarketing Circular in general describes the Series 2006 Bonds only while the Series 2006 Bonds bear interest at Weekly Variable Rates.

Weekly Variable Rate Bonds

Each Series of the Series 2006 Bonds will bear interest at the Weekly Variable Rate determined separately for each such Series in accordance with the Resolution and described below, during the period from the date of the remarketing of the Series 2006 Bonds on March 17, 2008 to the earlier of (i) the day preceding any date on which the interest rate on Series 2006 Bonds is adjusted to another Mode or (ii) the maturity date of such Series of Series 2006 Bonds (the “Weekly Variable Rate Period”).

Interest Payment Dates

Interest on the Series 2006 Bonds shall be payable on a monthly basis on the fifteenth day of each calendar month and on any Adjustment Date, redemption date and on the maturity date of the Series 2006 Bonds, in each case calculated on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed. If the date for making any payment of interest on the Series 2006 Bonds is not a Business Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the date originally fixed for such payment, and no interest shall accrue for the period commencing on such date fixed for payment and ending on such next succeeding Business Day.

Determination of Weekly Variable Rates

Each Series of the Series 2006 Bonds will bear interest from March 17, 2008 to and including the following Tuesday at a rate per annum determined by the Remarketing Agent and delivered in writing to the Trustee on the date of such remarketing. Thereafter, each Series of the Series 2006 Bonds will bear interest at the Weekly Variable Rates determined separately by the Remarketing Agent for each such Series by no later than 4:00 p.m. Eastern time on Tuesday of each week or, if such Tuesday is not a Business Day, the first Business Day preceding such Tuesday (the “Weekly Rate Determination Date”), to remain in effect for the period commencing on and including each Wednesday and extending to and including the earlier of (i) the following Tuesday, (ii) the date of adjustment of the interest rate on the Bonds to another Mode, or (iii) the maturity date of such Series 2006 Bonds (each period being referred to herein as a “Week”).

Each Weekly Variable Rate shall be the minimum rate of interest necessary (not exceeding the Maximum Rate), in the professional judgement of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the applicable Series of the Series 2006 Bonds on the Weekly Rate Determination Date at par plus accrued interest on such Series of Series 2006 Bonds for that Week. The Remarketing Agent shall provide notice each Weekly Variable Rate (i) by 5:00 p.m. Eastern time on the Weekly Rate Determination Date by telephone to any Beneficial Owner of the Series 2006 Bonds upon request and to the Trustee and the Loan Servicer, and (ii) not later than the Business Day immediately succeeding such Weekly Rate Determination Date by Electronic Means, to the Authority, the Institution, the Tender Agent and the Credit Facility Provider.

Each Weekly Variable Rate determined by the Remarketing Agent as provided above will be conclusive and binding upon the Institution, the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Credit

Facility Provider and the Loan Servicer (collectively, the “Remarketing Notice Parties”) and the registered owners of the Series 2006 Bonds.

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate applicable for any Week, the interest rate to be borne by the applicable Series of Series 2006 Bonds during such Week shall be the latest USD-SIFMA Municipal Swap Index (formerly known as USD-BMA Municipal Swap Index) published on or before the Weekly Rate Determination Date, or, in the event the USD-SIFMA Municipal Swap Index is no longer published, the last Weekly Variable Rate determined by the Remarketing Agent.

Adjustments in Interest Rate Modes

At the option of the Institution with the consent of the Credit Facility Provider, the interest rate on the Series 2006 Bonds may be adjusted from a Weekly Variable Rate to bear interest at an ARS Rate, a Reset Rate or a Fixed Rate. Adjustments from a Weekly Variable Rate to another Mode of determining interest on the Series 2006 Bonds may occur on any Interest Payment Date or, if such date is not a Business Day, the following Business Day (referred to herein as an “Adjustment Date”). Each Series of Series 2006 Bonds must bear interest in the same Mode as the other Series.

Conditions Precedent to Adjustments in Interest Rate Modes

No change in the method of determining the interest rate on the Series 2006 Bonds shall be made unless the following conditions precedent have been satisfied:

(a) not less than 45 days before the proposed Adjustment Date, the Institution delivers (i) written notice to the Authority, the Trustee, the Credit Facility Provider, the Tender Agent, the Remarketing Agent, the Auction Agent and each Broker-Dealer, as applicable, of (A) the proposed adjustment and designating the proposed Adjustment Date, and (B) in the case of an adjustment to an ARS Rate or a Reset Rate, the duration of the Auction Period or the Reset Period, as the case may be, to commence on the Adjustment Date, and (ii) the written preliminary consent of the Credit Facility Provider to such adjustment (which consent may be subject to the satisfaction of conditions prior to such adjustment);

(b) not less than 30 days prior to the proposed Adjustment Date, the Trustee gives written notice to the Bondholders as described below under the headings *Mandatory Tender and Purchase of Series 2006 Bonds on Adjustment Dates*” and “Mandatory Tender and Purchase of Series 2006 Bonds – *On Adjustment Dates*,”

(c) on or prior to the Adjustment Date, the Institution delivers (i) to the Trustee and the Loan Servicer, (A) written notice from the Credit Facility Provider consenting to the proposed adjustment together with confirmation that the Credit Facility will be sufficient with respect to principal amount, Interest Requirement and term to satisfy the requirements of the Resolution, or (B) if the adjustment is to a Fixed Rate, a written waiver from the Authority of the requirement for a Credit Facility during the Fixed Rate Period, and (ii) to the Trustee, the Authority, the Credit Facility Provider, the Loan Servicer, the Tender Agent and the Remarketing Agent, an opinion of Bond Counsel to the effect that the proposed adjustment of the interest rate on the Series 2006 Bonds is authorized and permitted by the Resolution and the laws of the State, and, in the case of the Series 2006A Bonds, will not adversely affect the exclusion of interest on the Series 2006A Bonds from gross income for Federal income tax purposes;

(d) on or prior to the proposed Adjustment Date, the Remarketing Agent gives notice in accordance with the Resolution to the effect that all outstanding Series 2006 Bonds have been remarketed.

If the Credit Facility Provider notifies the Authority and the Trustee that certain events of default have occurred and are continuing under the Reimbursement Agreement, then the Credit Facility Provider may exercise all rights of the Institution with respect to Mode adjustments and the Institution may not exercise such rights unless and until the Trustee, the Authority and the Loan Servicer are notified that such events of default have been cured or waived or the Credit Facility Provider otherwise consents.

Mandatory Tender and Purchase of Series 2006 Bonds on Adjustment Dates

The Series 2006 Bonds are subject to mandatory tender for purchase on any Adjustment Date at a purchase price equal to 100% of the principal amount thereof plus accrued interest to the Adjustment Date. The Trustee will give notice, by first class mail, postage prepaid, to the Holders of the Series 2006 Bonds not later than 30 days prior to the Adjustment Date, which notice will state (a) the proposed Adjustment Date, (b) that from and after the Adjustment Date, if the conditions precedent to such Mode adjustment have been satisfied, the Series 2006 Bonds will bear interest at an ARS Rate, the Reset Rate or the Fixed Rate, as the case may be, and (c) that the Series 2006 Bonds are subject to mandatory tender and purchase on such Adjustment Date and that no Holder of any such Series 2006 Bonds will have the right to elect to retain their Bonds.

Provisions Affecting Series 2006 Bonds if an Interest Rate Mode Adjustment Cannot be Effected

If (a) a notice of Adjustment Date has been given in accordance with the Resolution and (b) the conditions precedent to an Adjustment Date described above under the heading “*Conditions Precedent to Adjustments in Interest Rate Modes*” have not been satisfied, then (i) the new interest rate Mode shall not take effect, (ii) the Series 2006 Bonds shall be subject to mandatory tender on the proposed Adjustment Date and the holders of the Series 2006 Bonds shall not have the right to retain their Series 2006 Bonds, and (iii) the interest rate on the Series 2006 Bonds shall continue at the Weekly Variable Rate.

Tender and Purchase of Series 2006 Bonds

Optional Tender and Purchase

Demand Purchase Option. Each Beneficial Owner of a Series 2006 Bond may demand purchase of all or a portion of its Series 2006 Bond (provided the principal amount to be retained shall be in an Authorized Denomination) at a purchase price equal to 100% of the principal amount thereof plus accrued interest to the purchase date, by delivery of a written notice of tender complying with the requirements of the Resolution (an “Optional Tender Notice”) to the Tender Agent at its Designated Office not later than 3:30 p.m. Eastern time, on any Business Day which is at least seven calendar days prior to the date of purchase selected by such Beneficial Owner in the Optional Tender Notice. Each Optional Tender Notice shall:

- (i) be accompanied by a guaranty of signature acceptable to the Tender Agent,
- (ii) contain the CUSIP of the Series 2006 Bond, the principal amount to be purchased (or portion thereof), the name, address and tax identification number or social security number of the Beneficial Owner of the Series 2006 Bond demanding such payment and the purchase date (which purchase date shall be a Business Day at least seven days after the delivery of such notice to the Tender Agent), and
- (iii) during any period that the Series 2006A Bonds is held in book-entry form, provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Series 2006 Bond(s) or a custodian for the Beneficial Owner referred to in the notice, and if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer.

By delivering an Optional Tender Notice to the Tender Agent, the Beneficial Owner will have irrevocably agreed to deliver the Series 2006 Bond or Bonds for which a demand for purchase has been made (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Tender Agent at or prior to 10:00 a.m. Eastern time on the date designated for purchase in the Optional Tender Notice (the “Optional Tender Date”). Any election by a Beneficial Owner to tender a Series 2006 Bond or Bonds (or portion thereof) for purchase shall also be binding on any transferee of the Beneficial Owner making such election.

Series 2006 Bonds shall be required to be purchased as provided above only if the Series 2006 Bonds so delivered to the Tender Agent conform in all respects to the description of such Bonds in the Optional Tender Notice. The Tender Agent shall determine in its sole discretion whether an Optional Tender Notice complies with the requirements of Resolution and whether Series 2006 Bonds delivered conform in all respects to the description of the Series 2006 Bonds in the Optional Tender Notice.

Payment and Sources of Purchase Price. The Tender Agent will make payment for any Series 2006 Bonds tendered for purchase upon the demand of the Beneficial Owners thereof at or before 4:00 p.m. Eastern time on the Optional Tender Date, *first* from remarketing proceeds on deposit in the Bond Purchase Fund, *second*, from proceeds of a payment under the Credit Facility, and *third*, from the Institution.

Mandatory Tender and Purchase

Mandatory Tender Dates. Series 2006 Bondholders will be required to tender their Series 2006 Bonds to the Tender Agent for purchase on each of the following dates (each a “Mandatory Tender Date”), at a purchase price equal to 100% of the principal amount thereof plus accrued interest to the applicable Mandatory Tender Date:

(a) *On Adjustment Dates.* The Series 2006 Bonds are subject to mandatory tender for purchase on any Adjustment Date as described above under the heading “Adjustments in Interest Rate Modes - *Mandatory Tender and Purchase of Series 2006 Bonds on Adjustment Dates.*”

(b) *On Extension Dates.* The Series 2006 Bonds are subject to mandatory tender for purchase on the date which is five (5) Business Days prior to the Liquidity Expiration Date (the “Extension Date”), unless the Trustee receives an extension of the Liquidity Expiration Date (in which case the Series 2006 Bonds will not be subject to mandatory tender for purchase). Not less than ten (10) days before any Extension Date, if the Trustee has not received either an extension of the Liquidity Expiration Date or a binding commitment from Fannie Mae to extend the Liquidity Expiration Date, Trustee shall give notice, by first class mail, postage prepaid, to the Holders of the Series 2006 Bonds stating (i) the Extension Date and that no extension of or commitment to extend the Liquidity Expiration Date then in effect has been received by the Trustee, (ii) that the Series 2006 Bonds are required to be tendered on the Extension Date, (iii) that the Holders of the Series 2006 Bonds will not have the right to elect to retain their Series 2006 Bonds if the Liquidity Expiration Date is not extended and (iv) that such Series 2006 Bonds shall not be required to be so tendered if the Trustee receives an extension of the Liquidity Expiration Date prior to the Extension Date.

(c) *Upon an Event of Default Under the Reimbursement Agreement.* Pursuant to the Resolution, by written notice to the Trustee from the Credit Facility Provider that one or more events of default have occurred under the Reimbursement Agreement, including, but not limited to, a default under the Mortgage Loan or a failure to reimburse the Credit Facility Provider under the Reimbursement Agreement, as well as a default under the HDC Mortgages or any of other mortgages encumbering other bond projects or conventional loan projects that may be financed pursuant to the Credit Facility, the Credit Facility Provider may direct that all or a portion of the Series 2006 Bonds of one or more Series will be subject to mandatory tender for purchase, on the earliest practicable date after notice of the tender has been given to the Holders of such Series 2006 Bonds. See “Appendix E - Summary of Certain Provisions of the Reimbursement Agreement – Events of Default.” Upon receipt of such written notice from the Credit Facility Provider, the Trustee shall immediately give notice, by first class mail, postage prepaid, to the Holders of each affected Series 2006 Bond stating that (a) such event occurred, (b) that such Series 2006 Bonds are required to be tendered on the date specified in such notice, and (c) the Holders of such Series 2006 Bonds shall have no right to elect to retain their Series 2006 Bonds.

Payment and Sources of Purchase Price. The Tender Agent will make payment for any Series 2006 Bonds to be purchased on any Mandatory Tender Date at or before 4:00 p.m. Eastern time on such Mandatory Tender Date, (a) with respect to any Series 2006 Bonds to be purchased on an Adjustment Date, *first*, from remarketing proceeds on deposit in the Bond Purchase Fund, *second*, from proceeds of a payment under the Credit Facility and *third*, from the Institution, and (b) with respect to Series 2006 Bonds to be purchased on an Extension Date or as a result of an Event of Default under the Reimbursement Agreement, *first*, from proceeds of a payment under the Credit Facility, and *second*, from the Institution.

Untendered Bonds

Any Series 2006 Bond for which a demand for purchase has been made by delivery of an Optional Tender Notice to the Tender Agent that is not tendered by the Holder thereof to the Tender Agent on the Optional Tender Date and any Series 2006 Bond which is not tendered on any Mandatory Tender Date (in each case, an “Untendered Bond”), will be deemed to have been tendered as of the applicable tender date if moneys for such purchase have been deposited with the Tender Agent on or before any such tender date in accordance with the Resolution, and

from and after such tender date, such Untendered Bond will cease to bear interest and will no longer be considered Outstanding under the Resolution. An owner of an Untendered Bond will not be entitled to any payment (including any interest to accrue from and after the tender date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of the Resolution, except for the purpose of payment of the purchase price for such Untendered Bond.

Purchase Price Moneys Held in Trust

Moneys deposited with the Tender Agent for the purchase of Series 2006 Bonds deemed to have been tendered will be held in trust in the Bond Purchase Fund and will be paid to the former owners of such Bonds upon presentation of such Bonds at the Designated Office of the Tender Agent. The Tender Agent will promptly give notice by registered or certified first class mail, postage prepaid, to each owner of Series 2006 Bonds whose Series 2006 Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery of such Bonds at the Designated Office of the Tender Agent.

Delivery of Series 2006 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any Series 2006 Bond is held in book-entry form, such Series 2006 Bond need not be delivered in connection with any tender of Series 2006 Bonds described herein. In such case, payment of the purchase price in connection with such tender will be made to DTC. See “Book-Entry Only System” below.

Disclosure Concerning Remarketing of the Series 2006 Bonds

The information contained under this subheading “Disclosure Concerning Remarketing of the Series 2006 Bonds” has been provided by the Remarketing Agent for use in this Remarketing Circular but has not been required by the Authority or the Institution to be included herein and, to the extent such information does not describe express provisions in the Resolution or the Remarketing Agreement, neither the Authority nor the Institution accepts any responsibility for its accuracy or completeness.

The Remarketing Agent is Paid by the Institution

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Series 2006 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Remarketing Circular. The Remarketing Agent was selected by the Institution and is paid by the Institution for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2006 Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2006 Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series 2006 Bonds in order to achieve a successful remarketing of the Series 2006 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2006 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2006 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2006 Bonds by routinely purchasing and selling Series 2006 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2006 Bonds. The Remarketing Agent may also sell any Series 2006 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2006 Bonds. The purchase of Series 2006 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2006 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2006 Bonds being tendered in a remarketing.

Series 2006 Bonds May be Offered at Different Prices on Any Date Including a Weekly Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate, not to exceed the Maximum Rate, that would permit the sale of the Series 2006 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the Weekly Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2006 Bonds (including whether the Remarketing Agent is willing to purchase Series 2006 Bonds for its own account). There may or may not be Series 2006 Bonds tendered and remarketed on the Weekly Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Series 2006 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2006 Bonds at varying prices to different investors on either such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2006 Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Series 2006 Bonds on any date, including the Weekly Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Series 2006 Bonds other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell Series 2006 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2006 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2006 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2006 Bonds other than by tendering the Series 2006 Bonds in accordance with the tender process as provided in the Resolution.

Redemption of Series 2006 Bonds

Each Series of the Series 2006 Bonds is subject to optional and mandatory redemption as described below. All redemptions must be in Authorized Denominations; provided that any mandatory redemption in part will be in such amount that the Series 2006 Bonds of a Series remaining Outstanding will be in Authorized Denominations.

Optional Redemption

Each Series of the Series 2006 Bonds is subject to optional redemption in whole or in part, on any Interest Payment Date, upon the optional prepayment of the Mortgage Loan by the Institution, at a Redemption Price equal to 100% of the principal amount of the Series 2006 Bonds of such Series or portions thereof to be redeemed, plus accrued interest to the Redemption Date. The principal of and accrued interest on any Series 2006 Bond being optionally redeemed will be paid from an advance under the Credit Facility.

Mandatory Redemption

Each Series of the Series 2006 Bonds is subject to mandatory redemption following the occurrence of one of the events described below, on the earliest practicable Redemption Date for which timely notice of redemption can be given as described under the heading “*Notice of Redemption to Registered Owners*” below. The principal of and accrued interest on any Series 2006 Bond of a Series being redeemed as described under this heading “*Mandatory Redemption*” will be paid from an advance under the Credit Facility. Series 2006 Bonds of each Series subject to mandatory redemption in part will be redeemed in Authorized Denominations or will be redeemed in such amounts so that the Series 2006 Bonds of such Series Outstanding following the redemption are in Authorized Denominations. If the Trustee receives an amount for the mandatory redemption of Series 2006 Bonds of a Series which is not equal to a whole integral multiple of the Authorized Denomination, the Trustee is required to redeem Series 2006 Bonds of such Series in an amount equal to the next lowest whole integral multiple of the Authorized Denomination to the amount received by the Trustee and hold any excess amount in the applicable Debt Service Fund established for such Series.

Casualty or Condemnation. Each Series of the Series 2006 Bonds is subject to mandatory redemption, in whole or in part, at a Redemption Price of 100% of the principal amount of such Series 2006 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date, in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation or settlement in lieu of condemnation of, the Project are applied in accordance with the Mortgage to the prepayment of the Mortgage Loan.

Unexpended Proceeds. Each Series of the Series 2006 Bonds is subject to mandatory redemption, in whole or in part, at a Redemption Price of 100% of the principal amount of such Series 2006 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date, from unexpended proceeds of such Series of Series 2006 Bonds (i) upon completion of the Project or the abandonment of all or a portion of the Project due to legal or regulatory impediment, or (ii) representing all or a portion of the Retained Bond Proceeds Amount established for such Series that has not been disbursed to the Institution on or prior to the fourth (4th) anniversary of the date of issuance of the Series 2006 Bonds as more fully described above in the seventh paragraph under the heading “PART 1 – INTRODUCTION – Payment of and Security for the Series 2006 Bonds.”

Loan Equalization Payment. Each Series of the Series 2006 Bonds is subject to mandatory redemption, in whole or in part, at a Redemption Price of 100% of the principal amount of such Series 2006 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date, from payment of the Loan Equalization Amount required to be made by the Institution, or made by Fannie Mae on behalf of the Institution, in the event that all or any portion of the Retained Bond Proceeds Amount has been disbursed to the Institution and the Institution has failed to provide additional collateral in the form of real estate on or prior to the fourth (4th) anniversary of the date of issuance of the Series 2006 Bonds, if then required under the terms of the Reimbursement Agreement, all as more fully described above in the sixth paragraph under the heading “PART 1 – INTRODUCTION – Payment of and Security for the Series 2006 Bonds.”

Following an Event of Default under the Reimbursement Agreement. Each Series of the Series 2006 Bonds is also subject to mandatory redemption in whole or in part, in an amount specified by and at the direction of the Credit Facility Provider requiring that the Series 2006 Bonds of such Series be redeemed, following any event of default under the Reimbursement Agreement, at a Redemption Price of 100% of the principal amount of such Series 2006 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. The Redemption Date will be the earliest practicable date, but in no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Facility Provider’s giving of direction to the Trustee pursuant to this subsection to redeem all of the Series 2006 Bonds.

Transfers from the Principal Reserve Fund. Each Series of the Series 2006 Bonds are subject to mandatory redemption in whole or in part, at a Redemption Price of 100% of the principal amount of such Series 2006 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date

(a) on each Adjustment Date in an amount equal to the amount required to be transferred from the Principal Reserve Fund to the Debt Service Fund established for such Series on such Adjustment Date pursuant to the Resolution, and

(b) on any Interest Payment Date,

(i) in an amount equal to the amount which has been transferred from the Principal Reserve Fund to the Debt Service Fund established for such Series in accordance with the Resolution representing amounts in excess of the Principal Reserve Amount for such Series;

(ii) in an amount equal to the amount which has been transferred from the Principal Reserve Fund to the Debt Service Fund established for such Series in accordance with the Resolution following the occurrence of a PRF Triggering Event;

(iii) in an amount equal to the amount which has been transferred from the Principal Reserve Fund to the Debt Service Fund established for such Series in accordance with the Resolution in the event of a draw on a PRF Letter of Credit resulting from the expiration of such PRF Letter of Credit; and

(iv) in an amount equal to the amount which has been transferred from the Principal Reserve Fund to the Debt Service Fund established for such Series in accordance with the Resolution in the event of a draw on a PRF Letter of Credit resulting from the downgrading of the issuer of such PRF Letter of Credit.

See “PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – The Principal Reserve Fund” and Appendix D – “Summary of Certain Provisions of the Resolution – Principal Reserve Fund”.

Notice of Redemption to Registered Owners

Notice Requirement. When Series 2006 Bonds are to be redeemed pursuant to the Resolution, the Trustee will give notice of the redemption of such Series 2006 Bonds in the name of the Authority, which notice shall be given by first-class mail, postage prepaid to the registered owners of Series 2006 Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority, not more than ten (10) Business Days prior to the date such notice is given and to the Credit Facility Provider and the Loan Servicer, in each case not less than fifteen (15) days prior to the redemption date; *provided, however*, that in connection with the redemption of Series 2006 Bonds resulting from an event of default under the Reimbursement Agreement, the Trustee shall give immediate notice of redemption. The failure of any owner to receive notice shall not affect the validity of the proceedings for the redemption of the Series 2006 Bonds with respect to which notice has been given in accordance with the Resolution. If directed in writing by the Authority, the Trustee will also publish or cause to be published such notice in an Authorized Newspaper and such publication shall be not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, but such publication shall not be a condition precedent to such redemption and failure to so publish or any defect in such notice or publication shall not affect the validity of the proceedings for the redemption of Series 2006 Bonds.

Conditional Notices. Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2006 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2006 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2006 Bonds are not received by the Trustee on or prior to the redemption date, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of Bonds to be Redeemed

Whenever Series 2006 Bonds are to be redeemed, the Authority, with the prior written consent of the Credit Facility Provider, will select the maturities of Series 2006 Bonds to be redeemed. If less than all of a Series of Series 2006 Bonds of a maturity are to be redeemed, the Series 2006 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 shall consider proper in its discretion.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be remarketed as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2006 Bond certificate was issued for each maturity of each Series of the Series 2006 Bonds, each in the aggregate principal amount of such maturity of such Series, and was deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (“NSCC”, “FICC” and “EMCC”, respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly (“Indirect Participants”, and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2006 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any Series of the Series 2006 Bonds, except in the event that use of the book-entry system for a Series of the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 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 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the Series 2006 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2006 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 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2006 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 receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2006 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2006 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2006 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2006 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect

to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2006 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the Series 2006 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to the Series 2006 Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2006 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2006 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2006 Bonds in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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

So long as Cede & Co. is the registered owner of the Series 2006 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2006 Bonds (other than under the captions "TAX MATTERS" and "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2006 Bonds.

PART 4 – THE INSTITUTION

Royal Charter Properties-East, Inc.

The Institution was established in 1983 by The Society of the New York Hospital. Its purposes include developing and managing real estate for the benefit of The New York and Presbyterian Hospital (successor by merger to The Society of the New York Hospital) (the "Hospital") and other charitable organizations affiliated with the Hospital. Effective December 31, 1997, The Society of the New York Hospital merged with The Presbyterian Hospital in the City of New York and formed the Hospital.

Formed as a not-for-profit corporation, the Institution qualifies as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). A majority of the Institution's Board of Directors must consist of persons who also serve as Trustees of the Hospital.

The Institution's principal asset and business operation is its interest in Helmsley Tower and its interest in Payson House, which it acquired with a portion of the proceeds of the Series 2006 Bonds. Accordingly, it is expected that the Institution will not have any sources of funds to make payments on the Mortgage Loan other than revenues generated by Helmsley Tower and Payson House. A substantial portion of the revenues generated from

Helmsley Tower and Payson House are derived from the Hospital, which leases a majority of the units in the Helmsley Tower and Payson House, as described below.

The Institution's operation of Helmsley Tower and Payson House is a continuation of the Hospital's long history of providing housing for its personnel such as certain medical and nursing staffs. The Hospital is one of the nation's oldest academic medical centers. Physicians at the Hospital (other than resident physicians and clinical fellows) hold academic appointments at Weill Medical College of Cornell University or Columbia University's College of Physicians and Surgeons. The Hospital believes that the availability of housing in proximity to the Hospital campus has facilitated the recruitment and retention of highly qualified medical personnel who are able to respond quickly to patient needs.

The Institution pays real estate taxes to The City of New York with respect to those portions of Helmsley Tower and Payson House that are deemed taxable by The City of New York.

Helmsley Tower

The Helmsley Mortgage encumbers Helmsley Tower which is located between 70th and 71st Streets on the easterly side of York Avenue in the Borough of Manhattan and County, City and State of New York, on land conveyed to the Institution by the Hospital. Helmsley Tower, as built, is a 36 story mixed use building, consisting of approximately 631,000 square feet. Floors 8 through 36 of Helmsley Tower include 519 residential units utilized for housing the Hospital's nurses, resident doctors, clinical fellows and other employees and staff members of the Hospital and other affiliated institutions and 96 residential units utilized by the Institution for temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and for visiting Hospital staff. Floors 1 through 7 of Helmsley Tower include space for certain Hospital outpatient medical services, clinical and research facilities of the Weill Medical College of Cornell University, Hospital administrative offices and meeting rooms, space for other non-profit medical institutions, as well as retail and commercial purposes. Helmsley Tower also includes three levels of subsurface parking and one level of subsurface space utilized for storage. Helmsley Tower has been operating for approximately 22 years. With respect to the residential facilities, approximately 450 units of the 519 residential units referred to above are currently leased to the Hospital pursuant to a lease on terms described below. These leased units are made available by the Hospital to nurses, resident doctors, clinical fellows and technicians employed by the Hospital. The remaining units are leased to certain employees of the Hospital or affiliates of the Hospital. The 2007 aggregate rent increases for all residential units in Helmsley Tower averaged approximately 4%.

The residential unit mix and the approximate square footage of each respective apartment type are set forth in the table set forth below:

<u>Number of Units</u>	<u>Apartment Type</u>	<u>Square Footage</u>
480*	Studio	410
103*	One Bedroom	650
21	Two Bedrooms	950
10	Three Bedrooms	1,250
1	Four Bedroom Duplex	2,000

* Of these units, 80 studio and 16 one bedroom units have been set aside for temporary housing for patients of the Hospital or certain affiliated hospitals, and accommodations for families and visitors of hospitalized patients and for visiting Hospital staff.

Payson House

The Payson Mortgage encumbers Payson House which is a 35-story, approximately 390,000 square foot, 393-unit staff housing facility, which was acquired by the Institution from Royal Charter Properties, Inc. ("RCPI"), an affiliate of the Institution and the Hospital, with a portion of the proceeds of the Series 2006 Bonds. Payson House is located at 435 East 70th Street in the Borough of Manhattan and County, City and State of New York. Payson House is a mixed use building constructed in 1966. Floors 1-4 are occupied by various Hospital departments and affiliates, including the Hospital's Real Estate, Human Resources, Payroll and Nursing departments, its affiliated day care facility, and clinical programs of the Hospital and Weill Medical College of Cornell University. The first floor also includes two non-Hospital, non-Institution related retail tenants – a delicatessen and a pharmacy –

pursuant to separate leases with the Institution. Floors 5 – 35 are comprised of 375 residential apartments that are rented to the Hospital's nurses, medical residents, and clinical fellows as well as other employees and staff members of the Hospital and its affiliated institutions. Payson House includes two levels of subsurface parking with 174 spaces. The parking is utilized by Hospital employees, affiliates and visitors. The 2007 aggregate rent increases for all residential units of Payson House averaged approximately 5.5%.

The residential unit mix and the approximate square footage of each respective apartment type are set forth in the table set forth below:

<u>Number of Units</u>	<u>Apartment Type</u>	<u>Square Footage</u>
151	Studios	480
63	One Bedroom	678
117	Two Bedrooms	1,036
52	Three Bedrooms	1,473
9	Four Bedrooms	1,695
1	Five Bedrooms	2,000

Summary of Historical Revenue and Expenses

The Institution

The following summary of the revenue and expenses for the fiscal years ended December 31, 2004, December 31, 2005 and December 1, 2006 is derived from the consolidated financial statements of the Institution which have been audited by Ernst & Young LLP, independent auditors. This summary should be read in conjunction with the consolidated financial statements and related notes included herein. See "Appendix B — Audited Financial Statements of the Institution."

	Year Ended December 31,		
	<u>2004</u> (\$000)	<u>2005</u> (\$000)	<u>2006*</u> (\$000)
Revenue:			
Rental Income:			
Tenant	\$ 19,136	\$ 19,641	\$ 21,665
Hotel**	5,523	5,984	6,444
Parking	1,184	1,258	1,328
Miscellaneous	<u>126</u>	<u>115</u>	<u>139</u>
Total Rental Income	25,969	26,998	29,576
Interest Income	<u>568</u>	<u>514</u>	<u>822</u>
Total Revenue	26,537	27,512	30,398
Expenses:			
Operating Expenses	7,208	7,281	8,197
Interest, Depreciation, Amortization	<u>9,441</u>	<u>7,444</u>	<u>8,432</u>
Total Expenses	<u>16,649</u>	<u>14,725</u>	<u>16,629</u>
Excess of Revenue over Expenses	9,888	12,787	13,769
Loss on Extinguishment of Debt	-	(5,462)	-
Net gain (loss) on derivative instruments	1,556	2,137	(2,198)
Net unrealized gains (losses) on marketable securities	8	(8)	205
Transfer from Royal Charter Properties, Inc.	<u>-</u>	<u>-</u>	<u>2,694</u>
Change in net asset deficiency before distributions	11,452	9,454	14,470
Distributions to the Hospital	<u>(8,464)</u>	<u>(11,350)</u>	<u>(12,893)</u>
Change in net asset deficiency	<u>\$ 2,988</u>	<u>(\$ 1,896)</u>	<u>\$ 1,577</u>

* On November 16, 2006, RCPI conveyed its right, title and interest in Payson House to the Institution. Commencing November 16, 2006, revenue and expenses of Payson House are included in the consolidated financial statements of the Institution.

** Hotel income refers to temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and visiting hospital staff.

Payson House

The following summary of the revenue and expenses for Payson House for the fiscal years ended December 31, 2004, December 31, 2005 and December 31, 2006, is derived from the financial statements of RCPI and the Institution. On November 16, 2006, RCPI conveyed its right, title and interest in Payson House to the Institution. Commencing November 16, 2006, revenue and expenses of Payson House are included in the consolidated financial statements of the Institution.

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
	(\$000)	(\$000)	(\$000)
Revenue:			
Rental Income:			
Tenant	\$ 8,823	\$ 9,203	\$ 9,363
Parking	869	892	1,008
Miscellaneous	<u>106</u>	<u>93</u>	<u>89</u>
Total Rental Income	9,798	10,188	10,460
Interest Income	<u>15</u>	<u>19</u>	<u>135</u>
Total Revenue	9,813	10,207	10,595
Expenses:			
Operating Expenses	5,041	5,082	5,705
Interest, Depreciation, Amortization	<u>1,736</u>	<u>1,688</u>	<u>1,644</u>
Total Expenses	<u>6,777</u>	<u>6,770</u>	<u>7,349</u>
Excess of Revenue over Expenses	<u>\$ 3,036</u>	<u>\$ 3,437</u>	<u>\$ 3,246</u>

Management's Discussion of Operations

The Institution.

The Institution has generated an excess of revenue over expenses before distributions during the past three years. During calendar year 2004, the Institution generated an excess of revenue over expenses of \$9.9 million. During calendar year 2005, the Institution generated an excess of revenue over expenses (before loss on extinguishment of debt) of \$12.8 million, or an increase of 29.3% over calendar year 2004. This increase resulted from a 4.0% increase in rental income and an 11.6% decrease in expenses (before loss on extinguishment of debt). During calendar year 2006, the Institution generated an excess of revenue over expenses of \$13.8 million, an increase of 7.7% over calendar year 2005. This increase resulted from the inclusion of Payson House revenue and expenses for the period November 16, 2006 through December 31, 2006, which contributed to a 9.5% overall increase in rental income and a 12.9% overall increase in expenses primarily attributable to a \$851,000 (22.8%) increase in interest expenses and amortization of deferred financing costs relating to the financing and a \$567,000 (20.4%) increase in salaries and benefits for contracted services. The Institution expects that, subject to compliance with the Mortgage Loan Documents, the HDC Mortgage loan documents and applicable law, it will periodically distribute substantially all of its excess funds to the Hospital.

During calendar years 2005 and 2006, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 98.0%. Average occupancy levels for such periods with respect to the residential units set aside for temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and for visiting hospital staff were 99% for 2005 and 90% for 2006. The occupancy rate for the offices and retail space in Helmsley Tower during such periods was 100%.

Pursuant to an Agreement of Lease dated April 11, 1985, as amended, between the Institution as landlord and the Hospital as tenant, the Institution is leasing approximately 450 units on floors 12 through 31, inclusive. Such space is sublet or licensed to nurses, resident doctors, clinical fellows and technicians employed by the Hospital. The term of the April 11, 1985 Lease currently expires on April 15, 2035. The annual rent paid by the Hospital for the residential units was \$8.8 million in 2004, \$9.5 million in 2005 and \$9.8 million in 2006. The rent will increase annually to the extent there are increases in the cost of living, as evidenced by increases in the Consumer Price Index. During any fiscal year of the Institution where the demised premises under the April 11, 1985 Lease are not accorded an exemption from the payment of any taxes, the Hospital is required to pay to the Institution its proportionate share of such taxes.

The individual residential units are billed directly for utilities by the Institution on a sub meter basis. The Hospital's Central Plant provides steam for heating purposes to Helmsley Tower, for which the Institution pays the Hospital.

Payson House

Payson House has generated excess of revenue over expenses during the past three years. For the year ended December 31, 2004, revenue exceeded expenses by \$3.0 million. During calendar year 2005, Payson House generated an excess of revenue over expenses of \$3.4 million, an increase of 13.2% over the prior year. This increase resulted primarily from a 4.0% increase in rental income. During calendar year 2006, Payson House generated an excess of revenue over expenses of \$3.2 million, a decrease of 5.5% compared to calendar year 2005. In 2006, a 2.7% increase in rental income was offset by increases in operating expenses of 12.3%.

During calendar year 2004, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital averaged in excess of 95%. The occupancy rate for the commercial space and retail space in Payson House during such period was 99% and 100%, respectively. During calendar year 2005, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 91%. The average occupancy rates for the commercial space and retail space were 98% and 100%, respectively. During calendar year 2006, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 98%. The average occupancy rates for the commercial space and retail space were 95% and 100%, respectively.

PART 5 – THE PROJECT

The Series 2006 Bonds were issued to finance the Mortgage Loan to the Institution for the purpose of financing or refinancing (i) the demolition of existing buildings and design, development and construction of the First Avenue Development, (ii) the acquisition of Payson House, (iii) capitalized interest on the Series 2006 Bonds, (iv) costs of the acquisition of an interest rate cap, and (v) costs of issuance in connection with the issuance of the Series 2006 Bonds.

The First Avenue Development

The First Avenue Development involves the development and construction of an approximately 354,310 square foot, 20-story mixed use facility and 96-space parking garage located on First Avenue between 71st and 72nd Streets in New York City, to be used primarily as staff housing for employees of the Hospital and certain of its not-for-profit affiliates (the "First Avenue Facility"). The site is comprised of 12 contiguous lots together with air development rights (the "Development Rights") on an adjacent lot on East 72nd Street.

The First Avenue Facility is owned by RCP-East, LLC ("RCPE LLC"), a New York Limited Liability Company formed on January 13, 2006. The Institution is the sole managing member of RCPE LLC.

Neither the Mortgages nor the HDC Mortgages encumber the First Avenue Development.

The First Avenue Facility

It is contemplated that the First Avenue Facility will include approximately 16,429 gross square feet of ground floor commercial/retail space on the first floor, with a lobby area. Floors 2 through 20 will include approximately 343 residential units primarily for housing the Hospital's nurses, resident doctors, clinical fellows and other employees and staff members of the Hospital and other affiliated institutions. The residential space will include a mix of studio, one, two and three bedroom units. The fifth floor will be outfitted with a laundry room, a children's play area, a family lounge and an exercise room. The First Avenue Facility was designed so that some of the space allocated to residential units may be converted for use, if desired, as Hospital administrative space, Hospital ambulatory clinics and/or medical office space. The First Avenue Facility will also include a 96-space subsurface parking garage with entrance/egress on East 71st Street.

As of February, 2008, the First Avenue Facility was approximately 73% completed. Occupancy is anticipated to take place in three phases, with the first phase commencing in June, 2008.

In connection with the Mortgage Loan, the Authority, the Institution and the RCPE LLC entered into a Project Regulatory Agreement, dated as of the date of delivery of the Series 2006 Bonds (the "Regulatory Agreement"), which sets forth certain of RCPE LLC's obligations in connection with the development and ownership of the First Avenue Facility, including, without limitation, agreements to (i) complete the First Avenue Facility, (ii) comply with all Governmental Requirements with respect to the First Avenue Facility, (iii) use the First Avenue Facility as a non-profit housing and health facility for the benefit of the Hospital and certain of its not-for-profit affiliates, and (iv) comply with the requirements of the Internal Revenue Code of 1986, as amended, as is necessary to maintain the exclusion of interest on the Series 2006A Bonds.

Air Development Rights

In October, 2005, RCPI purchased the land and improvements (including the Development Rights) at 402 East 72nd Street. The acquisition of the Development Rights was financed with proceeds of an unsecured loan from a commercial bank in the amount of \$2 million. The unsecured loan was refinanced with a portion of the proceeds of the Series 2006 Bonds. The Development Rights are an integral component of the development of the First Avenue Facility. The Institution caused the filing of a Declaration of Zoning Lot Restrictions on January 19, 2006 which allows the Development Rights to support the proposed First Avenue Facility.

Payson House

A description of Payson House is contained in PART 4 - THE INSTITUTION - Royal Charter Properties-East, Inc. - *Payson House*" above.

PART 6 – FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage-backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in the Remarketing Circular the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of the Remarketing Circular, so you should read this Remarketing Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in the Remarketing Circular and any applicable supplement, and you should rely only on the most current information.

Fannie Mae incorporates by reference the following documents Fannie Mae has filed, or may file with the SEC:

- Fannie Mae's Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 27, 2008; and
- all other proxy statements that Fannie Mae files with the SEC, and all documents Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Remarketing Circular and prior to the termination of the offering of securities under the Remarketing Circular, excluding any information "furnished" to the SEC on Form 8-K.

Fannie Mae makes no representation as to the contents of this Remarketing Circular, the suitability of the Series 2006 Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Series 2006 Bonds is limited to issuing and discharging its obligations under the Credit Enhancement Instrument and exercising the rights reserved to it in the Resolution and the Reimbursement Agreement.

None of such information or any of the statements referred to in the preceding paragraphs under this section, "Fannie Mae," is guaranteed as to accuracy or completeness by the Corporation or is to be construed as a representation by the Corporation. Furthermore, the Corporation makes no representations as to the financial condition or resources of Fannie Mae or as to the absence of material adverse changes subsequent to the date of the Remarketing Circular in such information, or in the information contained in the statements referred to above.

PART 7 - THE AUTHORITY

Background, Purposes and Powers

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

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

buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At December 31, 2007, the Authority had approximately \$34.6 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 December 31, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
State University of New York Dormitory Facilities	\$ 2,120,821,000	\$ 873,355,000	\$ 0	\$ 873,355,000
State University of New York Educational and Athletic Facilities	11,757,912,999	5,060,675,745	0	5,060,675,745
Upstate Community Colleges of the State University of New York.....	1,397,910,000	593,095,000	0	593,095,000
Senior Colleges of the City University of New York	8,609,563,549	3,005,421,270	0	3,005,421,270
Community Colleges of the City University of New York	2,194,081,563	529,738,730	0	529,738,730
BOCES and School Districts.....	1,693,231,208	1,253,000,000	0	1,253,000,000
Judicial Facilities.....	2,161,277,717	738,632,717	0	738,632,717
New York State Departments of Health and Education and Other	3,362,370,000	2,054,770,000	0	2,054,770,000
Mental Health Services Facilities	5,682,130,000	3,650,920,000	0	3,650,920,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>913,895,000</u>	<u>827,890,000</u>	<u>0</u>	<u>827,890,000</u>
Total Public Programs.....	\$ <u>40,666,668,036</u>	\$ <u>18,587,498,462</u>	\$ <u>0</u>	\$ <u>18,587,498,462</u>

<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Independent Colleges, Universities and Other Institutions	\$ 14,796,041,020	\$ 7,000,083,940	\$ 198,125,000	\$ 7,198,208,940
Voluntary Non-Profit Hospitals	12,567,404,309	7,771,100,000	0	7,771,100,000
Facilities for the Aged.....	1,979,275,000	1,048,545,000	0	1,048,545,000
Supplemental Higher Education Loan Financing Program	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Public Programs.....	\$ <u>29,437,720,329</u>	\$ <u>15,819,728,940</u>	\$ <u>198,125,000</u>	\$ <u>16,017,853,940</u>
GRAND TOTAL BONDS AND NOTES	\$ <u>70,104,388,365</u>	\$ <u>34,407,227,402</u>	\$ <u>198,125,000</u>	\$ <u>34,605,352,402</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2007, the Agency had approximately \$578 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at December 31, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	\$ <u>3,817,230,725</u>	\$ <u>0</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 3,605,000
Insured Mortgage Programs	6,625,079,927	541,824,927
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>32,510,000</u>
Total Non-Public Programs	\$ <u>9,265,549,927</u>	\$ <u>577,939,927</u>
TOTAL MCFFA OUTSTANDING DEBT	\$ <u>13,082,780,652</u>	\$ <u>577,939,927</u>

Governance

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

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

The current members of the Authority are as follows:

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 expires on March 31, 2010.

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 expired on August 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

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 is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges served on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He has also 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.

LAURA L. ANGLIN, *Budget Director for the State of New York, Albany*; ex-officio.

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

RICHARD F. DAINES, M.D., *Commissioner of Health of the State of New York, 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 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.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

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.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

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 obtained the approval of the PACB for the issuance of the Series 2006 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, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 - LEGALITY OF THE SERIES 2006 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2006 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2006 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 - NEGOTIABLE INSTRUMENTS

The Series 2006 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 2006 Bonds.

PART 10 - TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2006A Bonds in order that interest on the Series 2006A Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, required ownership of a facility by a Section 501(c)(3) organization or a governmental unit, limits on the amount of tax-exempt financing of capital expenditures incurred on or before August 5, 1997, from which certain users (and related parties) of the facilities resulting from such expenditures may benefit, and the rebate to the United States of certain earnings with respect to investments. Failure to comply with

the continuing requirements may cause interest on the Series 2006A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Bond Resolution, Series 2006A Resolution and the Loan Agreement and in accompanying documents and certificates delivered concurrently with the issuance of the Series 2006 Bonds, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In the opinion of Winston & Strawn LLP, New York, New York (“Bond Counsel”), dated the date of issuance of the Series 2006 Bonds, based upon an analysis of then-existing statutes, regulations, rulings and court decisions, interest on the Series 2006A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Authority and the Institution (and their successors) with the covenants, and the accuracy of the representations. (as to which Bond Counsel has made no independent investigation) referenced above. A complete copy of the approving opinion of Bond Counsel date the date of issuance of the Series 2006 Bonds is set forth in Appendix F hereto. In the opinion of Bond Counsel, to be dated the date or remarketing of the Series 2006 Bonds, the adjustment of the interest rate on the Series 2006A Bonds from the ARS Rate to the Weekly Variable Rate will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2006A Bonds. A complete copy of the proposed form of opinion of Bond Counsel to be delivered upon the remarketing of the Series 2006 Bonds is set forth in Appendix G hereto.

The opinion of Bond Counsel delivered in connection with the issuance of the Series 2006 Bonds relied on the opinions of Dennett Law Office, P.C., special counsel to the Institution, regarding the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code, and other matters. Neither Bond Counsel nor Dennett Law Offices, P.C. has given, or can give, any opinion or assurance about the future activities of the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest payable with respect to the Series 2006A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2006A Bonds.

Certain requirements and procedures contained or referred to in the Bond Resolution, the Series 2006A Resolution, the Loan Agreement, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2006A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Winston & Strawn LLP.

In the further opinion of Bond Counsel, dated the date of issuance of the Series 2006 Bonds, interest on the Series 2006A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2006A Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series 2006A Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

If an owner purchasing an Series 2006A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2006A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Prospective purchasers of the Series 2006A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an

exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2006A Bonds. Bond Counsel expresses no opinion regarding any such collateral consequences.

At the date of issuance of the Series 2006 Bonds, Bond Counsel opined that interest on the Series 2006B Bonds is included in gross income for federal income tax purposes.

Also, in the opinion of Bond Counsel, dated the date of issuance of the Series 2006 Bonds, under then-existing statutes, the interest on the Series 2006A Bonds and Series 2006B Bonds is exempt from personal income taxes of the State of New York and its political subdivisions (including The City of New York).

On November 5, 2007, the United States Supreme Court heard oral arguments with respect to its review of a decision of the Court of Appeals of Kentucky which held that the Commerce Clause of the United States Constitution prohibits Kentucky from exempting interest on bonds issued by Kentucky and its localities, agencies and authorities from Kentucky state income tax while subjecting interest on bonds issued by other states and their localities, agencies and authorities to Kentucky state income tax. If the Kentucky decision is affirmed by the United States Supreme Court, it could require states such as the State to eliminate the disparity between the tax treatment of out-of-state bonds and tax treatment of in-state bonds including the Series 2006 Bonds. The impact of this decision may also affect the market price for, or the marketability of, the Series 2006 Bonds.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2006 Bonds may adversely affect the value of, or the federal, state and local tax status of interest on, the Series 2006 Bonds. The opinion of Bond Counsel is based on current legal authority. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2006A Bonds under federal or the tax-exempt status of the Series 2006Bonds under state law and could affect the market price or marketability of the Series 2006 Bonds. Prospective purchasers of the Series 2006 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation. Further no assurance can be given that a future court decision, or the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service, including but not limited to regulation, ruling, or selection of the Series 2006A Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2006A Bonds, or obligations which present similar tax issues, will not affect the market price of the Series 2006 Bonds.

PART 11 - STATE NOT LIABLE ON THE SERIES 2006 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 Resolution specifically provides that the Series 2006 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 - 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 13 - LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2006 Bonds by the Authority were subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel, which delivered its approving opinion, dated the date of the original issuance of the Series 2006 Bonds, on November 16, 2006 (a copy of which is attached as Appendix F hereto). The remarketing of the Series 2006 Bonds is subject to the delivery by Bond Counsel of its opinion substantially in the form attached as Appendix G hereto.

Certain legal matters will be passed upon for the Institution by its Special Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox LLP, New York, New York, and for the Remarketing Agent by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance, remarketing or delivery of the Series 2006 Bonds or questioning or affecting the validity of the Series 2006 Bonds or the proceedings and authority under which they were issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Bond Resolution, the Series 2006 Resolutions and the Loan Agreement.

PART 14 – RATINGS

It is expected that upon the adjustment of the interest rate applicable to the Series 2006 Bonds to the Weekly Variable Rate, Standard & Poor's Ratings Services (S&P) and Moody's Investors Service ("Moody's") will confirm their ratings of "AAA" and "Aaa", respectively, on the Series 2006 Bonds assigned when initially issued. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2006 Bonds.

PART 15 – REMARKETING ON INTEREST RATE ADJUSTMENT DATE

Goldman, Sachs & Co. has agreed, subject to certain conditions, to purchase the Series 2006 Bonds that are tendered on March 17, 2008 at a purchase price of par and to remarket the Series 2006 Bonds at par.

PART 16 - CONTINUING DISCLOSURE

For the purpose of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), in connection with the original issuance of the Series 2006 Bonds, the Institution executed a Continuing Disclosure Agreement pursuant to which the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 165 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending December 31, 2006, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "NRMSIR") designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 4—THE INSTITUTION" of this Remarketing Circular (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; *provided, however*, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and the Authority, to file such information and financial statements, as promptly as

practicable, but no later than three Business Days after receipt of the information by DAC from the Institution, with each such Repository and to the State Information Depository.

The Institution also has undertaken in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such notices to DAC, should it have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Authority, the Trustee or the Authority, DAC will file the Notices with each such Repository or to the Municipal Securities Rulemaking Board (the “MSRB”), and the State Information Depository, in a timely manner. With respect to the Series 2006 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the holders of the Series 2006 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 Institution, Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Remarketing Circular in “PART 4—THE INSTITUTION” (to the extent not included in the Institution’s audited financial statements) relating to the following: Residential unit mix of the apartment types for Helmsley Tower and Payson House, Summary of Historical Revenue and Expenses for Helmsley Tower and Payson House and Management’s Discussion of Operations, (b) a 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 Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events (the “Notice Events”) with respect to the Series 2006 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 2006A Bonds; (7) modifications to the rights of holders of the Series 2006 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2006 Bonds; and (11) rating changes. In addition, DAC will undertake to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Institution and/or the Authority, and no person, including any Holder of the Series 2006 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2006 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2006 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2006 Bonds; *provided, however*, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2006 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Bond Resolution, the Series 2006 Resolution or the Loan Agreement or the Continuing Disclosure Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the

Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the holders of Series 2006 Bonds under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2006 Bonds will be on file at the principal office of the Authority. The Institution has not failed to comply with any of its continuing disclosure obligations within the last five years, including its obligations under the Continuing Disclosure Agreement.

PART 17 - MISCELLANEOUS

Reference in this Remarketing Circular to the Act, the Resolution, the Loan Agreement, the Credit Enhancement Instruments and the Reimbursement Agreement do not purport to be complete. Refer to the Act, the Resolution, the Loan Agreement, the Credit Enhancement Instruments and the Reimbursement Agreement for full and complete details of their provisions. Copies of the Resolution, the Loan Agreement, the Credit Enhancement Instruments and the Reimbursement Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2006 Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2006 Bonds nor this Remarketing Circular is to be construed as a contract with purchasers of the Series 2006 Bonds.

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

The information concerning the Institution, the Hospital, RCPE LLC, the Project, the Mortgages, the HDC Mortgages and Appendix B was furnished by the Institution. The Authority believes that this information is reliable, but the Authority, the Remarketing Agent and Fannie Mae make no representations or warranties as to the accuracy or completeness of this information.

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

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

Appendix A – “Certain Definitions,” Appendix C – “Summary of Certain Provisions of the Loan Agreement,” Appendix D – “Summary of Certain Provisions of the Resolution,” Appendix F – “Form of Approving Opinion of Bond Counsel Delivered Upon Issuance of the Series 2006 Bonds,” and Appendix G – “Proposed Form of Opinion of Bond Counsel to be Delivered Upon the Remarketing of the Series 2006 Bonds” have been prepared by Winston & Strawn LLP, New York, New York, Bond Counsel to the Authority.

The Institution has reviewed the parts of the Remarketing Circular describing the Institution, the Hospital, RCPE LLC, the Project, the Mortgages, the HDC Mortgages and Appendix B. The Institution shall certify as of the dates of the remarketing of the Series 2006 Bonds that such parts do not contain any untrue statement of material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

The execution and delivery of this Remarketing Circular 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

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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following definitions of certain terms are for the use of this Remarketing Circular only. Capitalized terms used herein without other definition have the meanings set forth in the Resolution and the Series Resolution.

Act means, collectively, the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State of New York, constituting Titles 4 and 4-B of Article 8 of the Public Authorities Law, as amended) and the New York State Medical Care Facilities Finance Agency Act (being Chapter 392 of the Laws of 1973 of the State of New York, constituting Chapter 6 of Title 18 of the Unconsolidated Laws, as amended), each as amended by Chapter 83 of the Laws of 1995 of the State of New York.

Act of Bankruptcy means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Institution.

Advance means an Advance under the Applicable Credit Facility, as such term is defined in the Applicable Credit Facility.

Adjustment Date means any date on which the interest rate on the Series 2006 Bonds is adjusted to a different Mode. An Adjustment Date may only occur on an Interest Payment Date during any Weekly Variable Rate Period, or if such date is not a Business Day, the following Business Day.

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

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Credit Facility Fund, Bond Purchase Fund and Principal 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 Series Resolution, the Series Resolution relating to a particular Project, (iii) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project for the Institution, (iv) with respect to any Loan Agreement or Mortgage Loan Documents, the Loan Agreement or Mortgage Loan Documents, as applicable, entered into by and between the Institution and the Authority, relating to a particular Project for the Institution, (v) with respect to any Project Regulatory Agreement, the Project Regulatory Agreement entered into by and between the Owner and the Authority, relating to a particular Project, or any part thereof, for the Institution, (vi) with respect to any Credit Facility, Assignment or Reimbursement Agreement, the Credit Facility, Assignment or Reimbursement Agreement executed with respect to a Series of Bonds; and (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution.

ARS Rate means the rate of interest to be borne by a Series of the Series 2006 Bonds during each Auction Period determined in accordance with the Auction Procedures; provided, however, in no event may the ARS Rate exceed the Maximum Rate.

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

Assignment means the Assignment and Intercreditor Agreement, by and among the Authority, the Trustee and the Credit Facility Provider, and acknowledged, accepted and agreed to by the Institution, in connection with an Applicable Series of Bonds, as it may be amended, modified, supplemented or restated from time to time.

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

Authority Fee means a fee payable to the Authority upon the issuance of a Series of Bonds in an amount set forth in the Applicable Loan Agreement.

Authorized Denominations means, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

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 Chair, the Executive Director, the Deputy Executive Director, the General Counsel and Assistant Secretary, the Chief Financial Officer and Treasurer, the Managing Director of Policy and Program Development, the Managing Director of Public Finance, the Managing Director of Construction, a Managing General Counsel and Assistant Secretary, the Assistant General Counsel and Assistant Secretary, the Assistant Director, Financings and Assistant Treasurer, and the Assistant Director, Financial Management and Assistant Treasurer, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized by a resolution or the by-laws of the Institution to perform any act or execute any document; 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.

Available Moneys means, as of any date of determination (a) the proceeds of an Applicable Series of Bonds (including Refunding Bonds), (b) moneys received by the Trustee pursuant to an Applicable Credit Facility, (c) remarketing proceeds received from the Remarketing Agent or any purchaser of an Applicable Series of Bonds (other than funds provided by the Institution, the Authority, any Affiliate of either the Institution or the Authority or any guarantor of the Applicable Mortgage Loan), (d) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to each Rating Service to the effect that the use of such amounts to make payments on such Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Authority or the Institution become a debtor in proceedings commenced under the Bankruptcy Code, (e) the price paid by the Credit Facility Provider for the purchase of Bonds in lieu of redemption pursuant to an Applicable Bond Series Certificate, and (f) investment income derived from the investment of moneys described in the Resolution.

Bankruptcy Code means Title 11 of the United States Code, entitled "Bankruptcy," as in effect now and in the future, or any successor statute.

Beneficial Owner means, for any Series 2006 Bond which is held by a nominee, the beneficial owner of such Series 2006 Bond.

Bond or Bonds means any of the bonds of the Authority authorized pursuant and issued pursuant to the Resolution and the Applicable Series Resolution, including the Series 2006 Bonds.

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 Documents means, with respect to a Series of Bonds, the Resolution, the Applicable Series Resolution, the Applicable Bond Series Certificate, the Applicable Loan Agreement, the Applicable Assignment, the endorsement of the Mortgage Note, the Credit Facility, and all other documents, agreements and instruments executed and delivered in connection with the issuance, sale and delivery of the Bonds, as each such document, agreement or instrument may be amended, modified, supplemented or restated from time to time.

Bond Purchase Fund means each such fund so designated and established pursuant to the Resolution.

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 the Resolution and an Applicable Series Resolution.

Bond Year means, unless otherwise defined in an Applicable Series Resolution or Applicable Bond Series Certificate, a period of twelve (12) consecutive months beginning November 15 in any calendar year and ending on November 14 of the succeeding calendar year.

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

Business Day means (i) any day other than a Saturday, Sunday or a day on which the principal corporate trust office of the Trustee is authorized or required by law or executive order to be closed or a day on which other banking institutions chartered by the State or the United States of America are legally authorized or required to close in The City of New York, (ii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee or the Loan Servicer or the Auction Agent, if any, is located are required or authorized by law or executive order to close, (iii) a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) so long as a Credit Facility is in effect, any day on which the Credit Facility Provider is closed, or (v) any day on which DTC is closed.

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.

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

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for credit enhancement relating to such Bonds (including, without limitation, fees and charges relating to any interest rate hedging instruments required by the provider of such credit enhancement), fees and charges of the Loan Servicer, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

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

reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant hereto, or to the Applicable Loan Agreement.

Credit Facility means a credit enhancement instrument, letter of credit, insurance policy, line of credit or other instrument or agreement providing for the payment of principal of and interest on an Applicable Series of Bonds or the Applicable Mortgage Note when due.

Credit Facility Fund means each such fund so designated and established pursuant to the Resolution.

Credit Facility Provider means Fannie Mae and its successors or assigns.

Credit Facility Provider Default means any of the following: (a) there shall have occurred either (i) an uncured and willful default by the Credit Facility Provider or (ii) an uncured default resulting from the gross negligence of the Credit Facility Provider, in each case, if its obligations to honor a request for payment made in accordance with the terms of the Credit Facility, or (iii) a Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction.

Debt Service Fund means each such fund so designated and established pursuant to the Resolution.

Defeasance Securities means obligations of the United States of America purchased with Available Moneys, 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.

Designated Office of the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent or the Loan Servicer at the respective address set forth in the Applicable Bond Series Certificate or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent or the Loan Servicer, as applicable, as provided in the Applicable Bond Series Certificate.

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

Exempt Obligation means any of the following:

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

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

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

Extension Date means, with respect to a Series of the Series 2006 Bonds while such Bonds are bearing interest at a Weekly Variable Rate or Reset Rate, the date that is five Business Days prior to the Liquidity Expiration Date.

Fannie Mae means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

Federal Agency Obligation means any of the following:

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

First Avenue Facility means that component of the Project consisting of a mixed residential and commercial building to be used primarily for medical staff residences in association with The New York and Presbyterian Hospital to be located on First Avenue between 71st and 72nd Streets in the borough of Manhattan, New York, New York.

Government Obligation means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to a Project, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over a Project or any part of either.

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

Helmsley Facility the 36 story mixed use facility commonly known as the Helmsley Medical Tower located between 70th and 71st Streets on the easterly side of York Avenue in the borough of Manhattan, New York, New York.

Highest Rating Category Institution means, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by S&P or Moody's in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "A-1+" for debt with a term of one year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG-1" (for fixed rate) or "VMIG-1" (for variable rate) for one year or less and "Aaa" for greater than one year. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of

that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

Interest Payment Date means any date upon which interest on an Applicable Series of Bonds is due and payable in accordance with their terms, as more particularly identified in an Applicable Series Resolution or Applicable Bond Series Certificate.

Interest Requirement means during any Weekly Variable Rate Period, 35 days interest on the Series 2006 Bonds at the Maximum Rate on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed.

Investment Agreement means an agreement for the investment of money with a Qualified Financial Institution.

Liquidity Advance means an Advance to pay principal of, plus accrued interest on, any Bonds of an Applicable Series subject to tender at the option of the Holder thereof in accordance with the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate.

Liquidity Expiration Date means, with respect to a Series of Series 2006 Bonds while such Bonds are bearing interest at a Weekly Variable Rate, subject to the provisions of the Credit Facility, the date the obligation of the Credit Facility Provider to make Liquidity Advances expires as provided in the Credit Facility, if not earlier terminated. The Liquidity Expiration Date may be extended from time to time in accordance with the Reimbursement Agreement.

Loan Agreement means the Loan Agreement or other agreement, by and between the Authority and the Institution in connection with the issuance of an Applicable Series of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement, and, with respect to the Series 2006 Bonds, mean the Loan Agreement, dated as of September 27, 2006, by and between the Authority and the Institution, as the same may be amended, supplemented or otherwise modified from time to time.

Loan Equalization Payment means a partial prepayment of the Mortgage Loan made by the Credit Facility Provider or the Loan Servicer pursuant to Section 7.13A(i) of the Reimbursement Agreement.

Loan Servicer means Wachovia Multifamily Capital, Inc., as servicer of the Mortgage Loan, and any successor servicer appointed by the Credit Facility Provider.

Mandatory Tender Advance means an Advance to pay principal of, plus accrued interest on, any Bonds of an Applicable Series due as a result of a mandatory tender of such Bonds in accordance with the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate.

Maximum Rate means 12 percent per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Facility Provider and the Institution to a specified higher Maximum Rate not to exceed 15 percent, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of a Series of the Series 2006 Bonds or the exclusion of the interest payable on the Series 2006A Bonds from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of a Series of the Series 2006 Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

Mode means any of the Weekly Variable Rate, the ARS Rate, the Reset Rate and the Fixed Rate.

Moody’s means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means one or more Multifamily Mortgages, Assignment of Rents and Security Agreement, together with all riders and exhibits, securing one or more Mortgage Notes, executed by the Institution with respect to the Mortgaged Property in connection with the issuance of one or more Series of Bonds, as the same may be amended, modified, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, modified, supplemented or restated from time to time.

Mortgage Loan means the loan made by the Authority to the Institution pursuant to the terms and provisions of a Loan Agreement.

Mortgage Loan Documents means the Mortgage and the Mortgage Note delivered in connection with the issuance of a Series of Bonds.

Mortgage Note means one or more Multifamily Notes, executed by the Institution in favor of the Authority in connection with the issuance of one or more Series of Bonds, together with all addenda and schedules, as the same may be amended, modified, supplemented or restated from time to time, or any note or notes executed in substitution therefor, as such substitute note or notes may be amended, modified, supplemented or restated from time to time.

Mortgaged Property means the property described in Exhibit A of a Mortgage.

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

Owner means RCP-East, LLC, and its successor and assigns, with whom the Authority shall have executed a Project Regulatory Agreement.

Paying Agent means the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions in the Resolution, the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Payson House Facility means that component of the Project consisting of a 35-story, 393 unit residential facility, occupied primarily by attending physicians, hospital administrators and nurses associated with The New York and Presbyterian Hospital located at 435 East 70th Street between 1st Avenue and York Avenue in the borough of Manhattan, New York, New York.

Permitted Collateral means any of the following:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations.

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations.

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category.

Permitted Investments means, to the extent authorized by law for investment of moneys of the Authority:

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation), which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision, in each case the interest on which is excludable from gross income under Section 103 of the Code and which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code.
- (d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.
- (e) [reserved].
- (f) Interest-bearing negotiable certificates of deposit issued by a Qualified Financial Institution if either (A) the Qualified Financial Institution’s unsecured short-term obligations are rated in the Highest Rating Category or (B) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (g) an agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Facility Provider, or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category; provided that such agreement (A) is in a form acceptable to the Credit Facility Provider, (B) is collateralized with Permitted Investments described in paragraph (a) or (b) above and (C) includes the following restrictions:
 - (1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under the Resolution to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;
 - (2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;
 - (3) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and
 - (4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Highest Rating Category, the provider must, within 10 days, either: (A) increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, in an amount reasonably satisfactory to the Credit Facility Provider, (B) at the request of the Trustee or the Credit Facility Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM-G or AAAM by S&P or Aaa by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations. If approved in writing by the Credit Facility Provider, a money market mutual fund portfolio may also contain obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM-G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM-G or AAAM by S&P or Aaa by Moody's. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) [reserved].

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to Section 9.3, and Permitted Investments listed in paragraphs (g) and (i)).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(4) Any interest-only or principal-only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(9) Any investment to which S&P has added an "r" or "t" highlighter.

Permitted Encumbrances means (i) the Loan Agreement, (ii) the Mortgage, (iii) the Resolution, (iv) any instrument recorded pursuant to Section 17 of the Loan Agreement, (v) the Assignment, (vi) the Intercreditor Agreement, (vii) the Multifamily Mortgage, Assignment of Rents and Security Agreement, dated as of November 16, 2006, granted by the Institution for the benefit of the New York City Housing Development Corporation on the Payson House Facility, (viii) the Multifamily Mortgage, Assignment of Rents and Security Agreement, dated as of November 16, 2006, granted by the Institution for the benefit of Fannie Mae on the Payson House Facility, (ix) the Multifamily Mortgage, Assignment of Rents and Security Agreement, dated as of November 16, 2006, granted by the Institution for the benefit of Fannie Mae on the Helmsley Facility, (x) the Project Regulatory Agreement, (xi) any other encumbrances or matters approved in writing by the Authority and the Credit Facility Provider, and (xii) those matters referred to in any title insurance policy described in Section 10 of the Loan Agreement and accepted by the Authority and the Credit Facility Provider.

Pledged Bond means any Bond of the Applicable Series during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Institution with the proceeds of a liquidity advance or a mandatory tender advance under the applicable Credit Facility, to, but excluding, the date on which the Advance made by the Credit Facility Provider on account of such Bond is reinstated under the applicable Credit Facility.

PRF Letter of Credit means one or more letters of credit naming the Trustee as the beneficiary, meeting the requirements set forth in the Resolution and the requirements for a “Principal Reserve Fund Letter of Credit” set forth in the Applicable Reimbursement Agreement and issued by a financial institution satisfactory to the Credit Facility Provider with long-term debt obligations rated at least “A” by S&P and Moody’s.

PRF Triggering Event shall have the meaning set forth in the Applicable Reimbursement Agreement.

Principal Reserve Amount means (i) with respect to the Series 2006A Bonds, \$29,554,000 (20% of the original aggregate principal amount of the Series 2006A Bonds), and (ii) with respect to the Series 2006B Bonds, \$0.

Principal Reserve Fund means each such fund so designated and established pursuant to the Resolution.

Project means a “dormitory” or “non-profit housing and health facility” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of an Applicable Series of Bonds, as more particularly described and designated in an Applicable Loan Agreement.

Project Regulatory Agreement means the Project Regulatory Agreement or other agreement relating to the operation of a Project, or any part thereof, by and between the Authority and the Owner in connection with the issuance of an Applicable Series of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by such Project Regulatory Agreement.

Purchased Bonds means Bonds of a Series purchased by or at the direction of the Institution in accordance with the Loan Agreement.

Qualified Financial Institution means any of: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions 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, (v) [reserved], and (vi) securities dealer approved in writing by the Credit Facility Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and which is recognized as a primary dealer by the Federal Reserve Bank of New York.

Quarterly Determination Date means the first day of each January, April, July and October in each year.

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

Record Date shall have the meaning ascribed thereto in the Applicable Series Resolution or the Applicable Bond Series Certificate.

RCP-East means RCP-East LLC, the owner of the First Avenue Facility.

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

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

Reimbursement Agreement means the reimbursement agreement between the Credit Facility Provider and the Institution pursuant to which, among other things, the Institution agrees to reimburse the Credit Facility Provider for amounts paid under the Credit Facility issued with respect to a Series of Bonds, and, with respect to the Series 2006 Bonds, means the Master Credit Facility and Reimbursement Agreement, dated as of March 30, 2005, by and among the Credit Facility Provider, the Institution and American Property Financing Inc., as amended by Amendment No. 1 to Master Credit Facility and Reimbursement Agreement by and among the Credit Facility Provider, the Institution and Wachovia Multifamily Capital Inc., as successor by merger to American Property Financing Inc., dated as of November 16, 2006, and as further amended, supplemented or restated from time to time, or any agreement entered into in substitution therefore.

Remarketing Agent means the remarketing agent appointed by the Institution with the consent of the Authority and the Credit Facility Provider pursuant to the Applicable Bond Series Certificate, or any of its successors appointed in accordance with the terms of this Bond Series Certificate, and, with respect to the Series 2006 Bonds, means initially, Goldman, Sachs & Co.

Remarketing Agreement means the agreement by and among the Institution, the Authority and the Remarketing Agent to be entered into in connection, as the same may be amended or supplemented from time to time, or any replacement thereof.

Reserved Rights means, except as otherwise provided in a Series Resolution with respect to an Applicable Loan Agreement, those certain rights of the Authority under the Applicable Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Authority, its right to give and receive notices and reports (including financial statements and annual reports) and to enforce notice and reporting requirements and restrictions on transfer of ownership of or encumbrances upon the Project, its rights (other than rights to enforce, except as provided below) under Sections 13, 14, 15, 16, 17 and 27 of an Applicable Loan Agreement, its right to inspect and audit the books, records and premises of the Institution and of the Project, its right to collect attorneys' fees and related expenses, its right to specifically enforce the Institution's covenant to comply with applicable federal tax law, federal securities law and State law (including the Act and the rules and regulations of the Authority, if any) and Sections 13, 14, 15, 16, 17 and 27 of an Applicable Loan Agreement, and its rights to give or withhold consent to amendments, changes, modifications and alterations to the provisions relating to Reserved Rights in the Applicable Loan Agreement.

Reset Period means each period of ten years or more selected by the Institution, or such shorter period as may be selected by the Institution with the prior written consent of the Credit Facility Provider, during which the Series 2006 Bonds bear interest at a Reset Rate.

Reset Rate means the rate of interest borne by a Series of the Series 2006 Bonds during a Reset Period determined in accordance with Applicable Bond Series Certificate.

Resolution means the "Royal Charter Properties-East, Inc. Revenue Bond Resolution" adopted by the members of the Authority on September 27, 2006, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

Revenues means, with respect to a particular Series of Bonds, all payments received or receivable by the Authority which pursuant to the Applicable Loan Agreement and the Applicable Mortgage Note are to be paid to the Trustee (except payments to such Trustee for the administrative costs and expenses or fees of such Trustee and payments to such Trustee for deposit to the Applicable Arbitrage Rebate Fund) securing the Bonds.

S&P means Standard & Poor's, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

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

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

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to Article II of the Resolution, and with respect to the Series 2006 Bonds, means the “Royal Charter Properties-East, Inc. Revenue Bond Series 2006A Resolution” and the “Royal Charter Properties-East, Inc. Revenue Bonds Series 2006B Resolution”, each adopted by the members of the Authority on September 27, 2006, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof and of the Resolution.

Sinking Fund Installment means, with respect to any Series of Bonds, an amount of principal of the Bonds required to be paid on an interest payment date prior to maturity in accordance with the provisions of the Applicable Series Resolution or the Applicable Bond Series Certificate.

State means the State of New York.

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 Loan Agreement.

Taxable Bonds means any Series of Bonds the interest on which is generally includable in the gross income of the Holders thereof for federal income tax purposes.

Tax-Exempt Bonds means any Series of Bonds the interest on which is generally excluded from the gross income of the Holders thereof for federal income tax purposes.

Tender Agent means, an Applicable Series of Bonds, the tender agent designated in the Applicable Series Resolution or the Applicable Bond Series Certificate relating thereto, and, with respect to the Series 2006 Bonds means The Bank of New York, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party, or any successor appointed in accordance with the terms of the Applicable Bond Series Certificate, and (ii) the Trustee if no tender agent shall have been appointed thereunder.

Tendered Bond means any Bond of the Applicable Series which has been tendered for purchase pursuant to a mandatory tender or an optional tender in accordance with the provisions of the Applicable Series Resolution or the Applicable Bond Series Certificate.

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

Trustee means a bank or trust company appointed as Trustee for an Applicable Series Resolution or pursuant to the Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for therein 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 thereto.

Trust Revenues means all moneys, securities and instruments referred to in the Resolution as Trust Revenues.

2006 Retained Bond Proceeds Additional Collateral means the collateral delivered by the Borrower in accordance with Section 7.13A of the Reimbursement Agreement in order to permit the disbursement of the 2006 Retained Bond Proceeds Amount.

2006 Retained Bond Proceeds Amount means the amount of Bond proceeds that are only to be disbursed by the Trustee in accordance with Section 2.8 of the Assignment and Section 7.13A of the Reimbursement Agreement.

2006 Retained Bond Proceeds Additional Collateral Security means if the 2006 Retained Bond Proceeds Additional Collateral is (i) real property or an interest in real property, a mortgage on such real property or interest in real property or (ii) not real property or an interest in real property, such additional and supplemental agreements (including control agreements), financing statements, continuation statements and other instruments and documents, as are delivered in order to perfect a security interest in the 2006 Retained Bond Proceeds Additional Collateral.

Weekly Variable Rate means the variable rate of interest per annum for a Series of the Series 2006 Bonds determined from time to time during the Weekly Variable Rate Period in accordance with the Applicable Bond Series Certificate.

Weekly Variable Rate Period means the period commencing on an Adjustment Date on which the interest rate on a Series of the Series 2006 Bonds is adjusted from an ARS Rate or a Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

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AUDITED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

Royal Charter Properties—East, Inc.

Years ended December 31, 2006 and 2005
with Report of Independent Auditors

Royal Charter Properties—East, Inc.

Consolidated Financial Statements

Years ended December 31, 2006 and 2005

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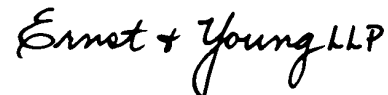
Report of Independent Auditors

Board of Directors
Royal Charter Properties—East, Inc.

We have audited the accompanying consolidated statements of financial position of Royal Charter Properties—East, Inc. (the “Company”) as of December 31, 2006 and 2005, and the related consolidated statements of operations and changes in net asset deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Royal Charter Properties—East, Inc. at December 31, 2006 and 2005, and the consolidated results of its operations and changes in net asset deficiency and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



April 6, 2007

Royal Charter Properties—East, Inc.

Consolidated Statements of Financial Position

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,353	\$ 25,056
Tenant accounts receivable, less allowance for uncollectibles (2006 and 2005—\$23)	1,125	1,642
Tenant security deposits held in trust	1,979	960
Other current assets	1,127	251
Total current assets	<u>23,584</u>	<u>27,909</u>
Property, buildings and equipment—net <i>(Note 3)</i>	66,230	47,142
Deferred financing costs—net of accumulated amortization (2006—\$378; 2005—\$181)	6,493	3,306
Assets limited as to use <i>(Note 2)</i>	144,031	483
Derivative instruments <i>(Note 4)</i>	4,822	3,280
Accrued rent receivable	597	502
Total assets	<u>\$ 245,757</u>	<u>\$ 82,622</u>
Liabilities and net asset deficiency		
Current liabilities:		
Current portion of long-term debt <i>(Note 4)</i>	\$ 1,475	\$ 1,397
Accounts payable and accrued expenses	347	751
Tenant security deposits payable	1,979	960
Due to related organizations <i>(Note 5)</i>	668	8,896
Accrued interest payable	176	166
Total current liabilities	<u>4,645</u>	<u>12,170</u>
Long-term debt—less current portion <i>(Note 4)</i>	265,961	96,878
Total liabilities	<u>270,606</u>	<u>109,048</u>
Net asset deficiency:		
Unrestricted net asset deficiency	<u>(24,849)</u>	<u>(26,426)</u>
Total liabilities and net asset deficiency	<u>\$ 245,757</u>	<u>\$ 82,622</u>

See accompanying notes.

Royal Charter Properties—East, Inc.

Consolidated Statements of Operations and Changes in Net Asset Deficiency

	Year ended December 31	
	2006	2005
	<i>(In Thousands)</i>	
Revenue		
Rental income:		
Tenant <i>(Note 5)</i>	\$ 21,665	\$ 19,641
Hotel	6,444	5,984
Parking	1,328	1,258
Miscellaneous	139	115
	<u>29,576</u>	<u>26,998</u>
Investment income <i>(Note 2)</i>	822	514
Total revenue	<u>30,398</u>	<u>27,512</u>
Expenses		
Salaries and benefits <i>(Note 5)</i>	884	859
Salaries and benefits—contracted services	3,353	2,786
Supplies and other expenses	3,960	3,636
Depreciation	3,856	3,719
Interest expense and amortization of deferred financing costs	4,576	3,725
Total expenses	<u>16,629</u>	<u>14,725</u>
Excess of revenue over expenses	13,769	12,787
Change in net unrealized gains and losses on marketable securities	205	(8)
Net (loss) gain on derivative instruments <i>(Note 4)</i>	(2,198)	2,137
Loss on extinguishment of debt <i>(Note 4)</i>	—	(5,462)
Transfer from Royal Charter Properties Inc., net <i>(Notes 3 and 5)</i>	2,694	—
Distributions to The New York and Presbyterian Hospital <i>(Note 5)</i>	(12,893)	(11,350)
Change in net asset deficiency	<u>1,577</u>	<u>(1,896)</u>
Net asset deficiency at beginning of year	(26,426)	(24,530)
Net asset deficiency at end of year	<u>\$ (24,849)</u>	<u>\$ (26,426)</u>

See accompanying notes.

Royal Charter Properties—East, Inc.

Consolidated Statements of Cash Flows

	Year ended December 31	
	2006	2005
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Change in net asset deficiency	\$ 1,577	\$ (1,896)
Adjustments to reconcile change in net asset deficiency to net cash (used in) provided by operating activities:		
Depreciation	3,856	3,719
Amortization of deferred financing costs	197	380
Change in net unrealized gains and losses on marketable securities	(205)	8
Net loss (gain) on derivative instruments	2,198	(2,137)
Loss on extinguishment of debt	—	5,462
Transfer from Royal Charter Properties, Inc., net	(2,694)	—
Changes in operating assets and liabilities:		
Tenant accounts receivable and accrued rent receivable	422	(976)
Other current assets	(876)	182
Accounts payable and accrued expenses	(404)	(226)
Due to related organizations	(8,228)	1,520
Accrued interest payable	10	(276)
Net cash (used in) provided by operating activities	<u>(4,147)</u>	<u>5,760</u>
Cash flows from investing activities		
Acquisition of property, buildings and equipment	(11,164)	(842)
Net (purchases) redemptions of assets limited as to use	(143,343)	10,237
Net cash (used in) provided by investing activities	<u>(154,507)</u>	<u>9,395</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	170,558	98,775
Payment of deferred financing costs	(3,384)	(3,489)
Payment of derivative instrument termination costs	—	(10,185)
Payments for derivative instruments—interest rate cap agreements	(3,740)	(3,326)
Payments on long-term debt	(10,483)	(89,700)
Net cash provided by (used in) financing activities	<u>152,951</u>	<u>(7,925)</u>
Net (decrease) increase in cash and cash equivalents	(5,703)	7,230
Cash and cash equivalents at beginning of year	25,056	17,826
Cash and cash equivalents at end of year	<u>\$ 19,353</u>	<u>\$ 25,056</u>
Supplemental schedule of noncash investing and financing activities		
Transfer of property from Royal Charter Properties, Inc., net	<u>\$ 2,694</u>	<u>\$ —</u>

See accompanying notes.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements

December 31, 2006

1. Organization and Significant Accounting Policies

Organization: Royal Charter Properties—East, Inc. (the “Company”) was incorporated under New York State not-for-profit corporation law for the purpose of acquiring and holding direct and indirect interests in real estate and related personal property which is located primarily in Manhattan, New York. The Company primarily provides residential housing, office and parking to related organizations and their employees. The Company is a membership corporation, which membership consists of the members of New York-Presbyterian Foundation, Inc. (“Foundation, Inc.”) who are also Trustees of The New York and Presbyterian Hospital (the “Hospital”). The Company’s members elect the Company’s Board of Directors. Foundation, Inc. is related to a number of other organizations.

On January 13, 2006, the Company formed RCP-East, LLC, a New York limited liability company. The Company is the sole member of RCP-East, LLC. The Company financed additional long-term debt in 2006 in connection with the construction of a building that will be owned by RCP-East, LLC and used primarily for residential housing for staff of the Hospital.

The following is a summary of significant accounting policies:

Basis of Financial Statement Presentation: The accompanying consolidated financial statements are prepared on the accrual basis of accounting. Included in the accompanying consolidated financial statements is the Company’s wholly-owned subsidiary, RCP-East, LLC. All significant intercompany accounts and transactions are eliminated in consolidation. The accompanying consolidated financial statements do not include the accounts of other affiliated organizations.

Derivative Instruments: The Company utilizes derivative instruments for interest rate risk exposure-management purposes. The Company accounts for its derivative instruments in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Under SFAS No. 133, the Company is required to recognize derivative instruments as either an asset or liability in the consolidated statements of financial position at fair value. The fair value of derivative instruments is determined utilizing forward interest rate estimates and present value techniques.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Cash Equivalents: The Company classifies as cash equivalents all highly liquid investments with a maturity of three months or less when purchased which are not deemed to be assets limited as to use or tenant security deposits. At December 31, 2006 and 2005, substantially all of the Company's cash and cash equivalents, which amount exceeds federal depository insurance limits, were deposited with one financial institution.

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

Assets Limited as to Use: Assets so classified represent assets whose use is restricted for specific purposes under terms of debt agreements. These assets are recorded at fair value based on quoted market prices.

Property, Buildings and Equipment: Property, buildings and equipment, which are purchased, are carried at cost; those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution; transfers of property, buildings and equipment from related entities are carried at historic net book value. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

Deferred Financing Costs: Deferred financing costs are amortized over the life of the debt using the effective interest method. During 2005, the Company wrote-off approximately \$5.5 million of unamortized deferred financing costs in connection with the refinancing of the Company's debt (see Note 4). As part of the refinancing transaction, the Company paid and capitalized approximately \$3.5 million of financing costs in 2005. During 2006, the Company paid and capitalized approximately \$3.4 million of financing costs related to the issuance of long-term debt (see Note 4).

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Revenue Recognition: Tenant leases are accounted for as operating leases. Scheduled base rent increases under tenant leases are recognized as rental income on a straight-line basis over the lease term.

Tax Status: The Company is a Section 501(c)(3) organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Company also is exempt from New York State and City income taxes.

Reclassifications: Certain reclassifications have been made to 2005 balances previously reported in order to conform with the 2006 presentation.

2. Assets Limited as to Use

Assets limited as to use total approximately \$144.0 million and \$0.5 million at December 31, 2006 and 2005, respectively, at fair value and consist of U.S. government bonds and notes.

Assets limited as to use under the Company's debt agreements consist of the following (see Note 4):

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
Construction funds	\$ 102,090	\$ —
Capital interest reserve funds	14,626	—
Collateral funds	26,321	—
Capital replacement reserve fund	607	93
Principal reserve funds	387	390
	<u>\$ 144,031</u>	<u>\$ 483</u>

As of December 31, 2006 and 2005, the Company met all minimum funding requirements as defined within the applicable debt agreements (see Note 4).

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

2. Assets Limited as to Use (continued)

Investment income consists of the following for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
	<i>(In Thousands)</i>	
Interest income	\$ 822	\$ 506
Net realized gains	–	8
	<u>\$ 822</u>	<u>\$ 514</u>

3. Property, Buildings and Equipment

A summary of property, buildings and equipment follows:

	December 31	
	<u>2006</u>	<u>2005</u>
	<i>(In Thousands)</i>	
Land	\$ 1,824	\$ 127
Buildings and building improvements	108,182	101,355
Equipment	1,998	1,686
	<u>112,004</u>	103,168
Less accumulated depreciation	59,769	56,035
	<u>52,235</u>	47,133
Construction in progress	13,995	9
	<u>\$ 66,230</u>	<u>\$ 47,142</u>

In connection with the RCP-East, LLC construction project, in 2006, Royal Charter Properties, Inc., a related entity, transferred to the Company certain properties with a net carrying value at the date of transfer of approximately \$9.7 million and construction in progress of approximately \$2.1 million (see Note 5).

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

3. Property, Buildings and Equipment (continued)

Substantially all property, buildings and equipment have been pledged as collateral under debt agreements (see Note 4).

The Company capitalized interest of approximately \$0.4 million during 2006 related to construction projects in progress.

4. Long-term Debt

A summary of long-term debt follows:

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
New York City Housing Development Corporation Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties—East, Inc. Project) Series 2005 (a)	\$ 96,878	\$ 98,275
Dormitory Authority of the State of New York, Royal Charter Properties—East, Inc., Revenue Bonds, Series 2006 (b)	171,380	—
	268,258	98,275
Less current portion	1,475	1,397
Less unamortized discount on Series 2006 bonds	822	—
	\$ 265,961	\$ 96,878

- (a) On March 24, 2005, the New York City Housing Development Corporation issued Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties—East, Inc. Project) (the “2005 Bonds”) to refinance outstanding Series 1998 bonds. The 2005 Bonds include \$89,200,000 of Series A tax exempt variable rate bonds (maturing in April 2035) and \$9,575,000 of Series B taxable variable rate bonds (maturing in October 2011). The 2005 Bonds are auction rate securities currently with interest rates determined monthly (not to exceed 12%). At December 31, 2006, the rates for the 2005 Series A bonds and 2005 Series B bonds were 3.6% and 5.3%, respectively. In connection with the refinancing transaction, in 2005 the Company incurred an extinguishment loss of approximately \$5.5 million which consists of the write-off of unamortized deferred financing fees related to the previous debt.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

4. Long-term Debt (continued)

- (b) On November 14, 2006, the Dormitory Authority of the State of New York issued Royal Charter Properties—East, Inc., Revenue Bonds (the “2006 Bonds”). The 2006 Bonds include \$147,770,000 of Series A tax exempt variable rate bonds (maturing in November 2036) and \$23,610,000 of Series B taxable variable rate bonds (maturing in March 2018). The 2006 Bonds were issued with a discount of approximately \$0.8 million. The proceeds of the 2006 Bonds will be used for the following: (i) finance the demolition of existing buildings and design, development and construction of an approximately 354,000 square foot, 20-story mixed use facility and 96-space parking garage located in New York City, to be used primarily as staff housing for employees of the Hospital, (ii) repay the outstanding balance (\$7.1 million) on a loan associated with a 35-story, 393-unit staff housing facility for employees of the Hospital and the balance (\$2.0 million) on a loan associated with air rights, both of which were acquired from Royal Charter Properties, Inc., (iii) pay the costs of acquiring interest rate caps for the 2006 Bonds, and (iv) pay certain costs of issuance in connection with the 2006 Bonds. The 2006 Bonds are auction rate securities currently with interest rates determined monthly (not to exceed 12%). At December 31, 2006, the rates for the 2006 Series A bonds and 2006 Series B bonds were 3.6% and 5.3%, respectively.

The 2005 Bonds and 2006 Bonds are secured by credit enhancement instruments issued by Fannie Mae with an aggregate principal amount of borrowing capacity totaling \$243.7 million. The credit enhancement instruments related to the 2005 Series A Bonds and 2005 Series B bonds expire April 20, 2035 and October 20, 2011, respectively. The credit enhancement instruments related to the 2006 Series A bonds and 2006 Series B bonds expire November 20, 2036 and March 20, 2018, respectively. The credit enhancement instruments are subject to certain covenants pertaining to financial ratios and conditions. The credit enhancement instruments are collateralized by a mortgage of the Company’s property and an assignment of rents and a security interest. At December 31, 2006 and 2005, the Company was in compliance with the applicable financial covenants.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

4. Long-term Debt (continued)

Required payments to the principal reserve fund for the purpose of long-term debt redemptions for each of the five years subsequent to December 31, 2006 follow (in thousands):

2007	\$ 1,475
2008	1,711
2009	3,556
2010	3,777
2011	4,011

The Company utilizes derivative instruments for interest rate risk exposure-management purposes. In relation to previous debt instruments, the Company had entered into an interest rate swap derivative instrument to convert payments on the variable interest rate bonds to a fixed interest rate (5.7%). This derivative instrument was terminated in March 2005 in connection with the refinancing of the previous debt. The Company paid approximately \$10.2 million in 2005 to terminate the agreement. The difference between the liability recorded at December 31, 2004 and the amount paid upon settlement totaled \$2.2 million and was recognized in 2005 as a component of the net gain on derivative instruments.

In connection with the 2005 Bonds, the Company entered into two interest rate cap derivative instruments. Under the interest rate cap related to the 2005 Series A tax exempt bonds, the Company's maximum interest rate is 6.0%. This agreement expires April 15, 2035. Under the interest rate cap related to the 2005 Series B taxable bonds, the Company's maximum interest rate is 7.0%. This agreement expires October 15, 2011. The Company paid approximately \$3.3 million in 2005 in order to enter into these interest rate cap agreements. The fair value of these agreements at December 31, 2006 and 2005 represented an asset totaling approximately \$1.5 million and \$3.3 million, respectively.

In connection with the 2006 Bonds, the Company entered into two interest rate cap derivative instruments. Under the interest rate cap related to the 2006 Series A tax exempt bonds, the Company's maximum interest rate is 6.2%. This agreement expires November 15, 2036. Under the interest rate cap related to the 2006 Series B taxable bonds, the Company's maximum interest rate is 7.6%. This agreement expires May 15, 2020. The Company paid approximately \$3.7 million in 2006 to enter into these interest rate cap agreements. The fair value of these agreements at December 31, 2006 represented an asset totaling approximately \$3.3 million.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

4. Long-term Debt (continued)

The Company recognized a net (loss) gain of approximately \$(2.2) million and \$2.1 million in 2006 and 2005, respectively, as a result of the changes in fair value and settlement of the derivative instruments.

Interest paid on all borrowings for the years ended December 31, 2006 and 2005 aggregated approximately \$4.4 million and \$3.6 million, respectively, net of capitalized interest in 2006.

5. Related Organizations

The amounts due to related organizations at December 31, 2006 and 2005 are as follows:

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
The New York and Presbyterian Hospital	\$ 638	\$ 8,773
Royal Charter Properties, Inc.	30	123
	<u>\$ 668</u>	<u>\$ 8,896</u>

During 2006, Royal Charter Properties, Inc. transferred the ownership of certain property and liabilities for related outstanding debt to the Company in connection with the RCP—East, LLC construction project and financing. The net amount transferred to the Company, at net historical carrying value, consists of the following (in thousands):

Buildings and building improvements	\$ 7,712
Air development rights	2,000
Construction in progress	2,068
Mortgage loan payable (subsequently repaid)	(7,067)
Unsecured loan (subsequently repaid)	(2,019)
	<u>\$ 2,694</u>

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Amounts payable to the Hospital represent the unpaid portion of distributions to the Hospital, in accordance with the Company's certificate of incorporation, and reimbursement for certain disbursements made by the Hospital on behalf of the Company. The Company's certificate of incorporation states that all income collected, less expenses and reasonable reserves, is to be distributed to the Hospital or other related entities as determined by the Company's Board of Directors. For the years ended December 31, 2006 and 2005, such amounts aggregated approximately \$12.9 million and \$11.4 million, respectively.

As part of the Company's 1998 construction financing, the Hospital entered into a lease agreement for use of approximately 400 units for its staff housing through April 2017. Due to the related nature of the entities, the Company rents such units directly to the Hospital's staff. The Hospital's 2006 and 2005 rental expenses related to usage of office space and employee residential housing aggregated approximately \$9.8 million and \$9.5 million, respectively. Tenant accounts receivable includes the amounts due from the Hospital's staff.

Salaries and benefits and supplies and other expenses included in the accompanying consolidated statements of operations and changes in net asset deficiency include amounts allocated from the Hospital which were approximately \$1.2 million for each of the years ended December 31, 2006 and 2005, respectively.

The Rogosin Institute, a related organization, rents office space from the Company for which rental payments aggregated approximately \$1.4 million and \$1.3 million for the years ended December 31, 2006 and 2005, respectively. The balance reflected in tenant accounts receivable as of December 31, 2006 and 2005 which is due from The Rogosin Institute totaled approximately \$0.3 million and \$0.1 million at December 31, 2006 and 2005, respectively.

The classification of amounts due to related organizations reflects management's expectations as to when these amounts will be repaid.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

6. Rental Agreements

The majority of the Company's tenant rental agreements are short-term and are renewed annually. Future rental payments to be received under rental agreements with lease terms that exceed one year are as follows (in thousands):

2007	\$ 1,567
2008	1,627
2009	1,690
2010	1,756
2011	1,824
Thereafter	1,248

7. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents and Tenant Security Deposits: Fair values are equal to carrying values.

Marketable Securities: The fair value of marketable securities (included within assets limited as to use) is based on quoted market prices.

Long-term Debt: The Company's variable rate long-term debt instruments bear interest at rates which approximate market and, therefore, the carrying value of debt approximates fair value.

Derivative Instruments: The fair value of the Company's derivative instruments is determined using forward interest rate estimates and present value techniques.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements (continued)

7. Fair Values of Financial Instruments (continued)

The carrying amount and fair value of the Company's financial instruments at December 31, 2006 and 2005 are as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In Thousands)</i>			
Cash and cash equivalents	\$ 19,353	\$ 19,353	\$ 25,056	\$ 25,056
Tenant security deposits	1,979	1,979	960	960
Marketable securities	144,031	144,031	483	483
Derivative instruments	4,822	4,822	3,280	3,280
Long-term debt	267,436	267,436	98,275	98,275

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Set forth below are summaries of certain sections of the Loan Agreement. These summaries do not purport to be complete and reference should be made to the Loan Agreement, copies of which are on file with the Authority and the Trustee, for a complete statement of the rights, duties and obligations of the Authority, the Trustee and the Bondholders under the Loan Agreement. The headings below are not part of the Loan Agreement but have been added for ease of reference only.

Project Financing

The Authority has agreed to use its best efforts to authorize, issue, sell and deliver the Bonds in an aggregate principal amount not exceeding the amount set forth in the Series Resolution. The proceeds of the Bonds, shall be applied as specified in the Resolution, the Series Resolution and the Bond Series Certificate relating thereto.

(Section 4)

Construction of the Project

1. The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series Resolution and the Loan Agreement, the Institution shall complete or cause the completion of, the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to such Project. Subject to the conditions described in the Loan Agreement and of the Project Regulatory Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution or RCP-East, as applicable, to be reimbursed for, or pay, any costs and expenses incurred by the Institution or RCP-East, as applicable, which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval will not be unreasonably withheld.

2. (a) To the extent that moneys are available therefor, moneys in the Construction Fund will be disbursed from the applicable account thereof as construction of the Project progresses, but not more frequently than once a month, unless otherwise agreed to in writing by the Authority, in amounts and at the times as shall be requested by the Institution pursuant to a request for disbursement as provided in the Loan Agreement, but not in excess of that needed, in the reasonable judgment of the Authority, to reimburse the Institution or RCP-East for, or to pay, any costs and expenses constituting Costs of such Project previously paid or then due; provided that the Authority may, in its sole discretion, withhold or delay making any advance in connection with the Project at any time there is pending an action or proceeding, judicial or administrative, challenging the Institution's right to undertake such Project or any part thereof, or in which there is in issue (i) the validity of any governmental permit, consent or authorization, or the issuance thereof, necessary in connection with such Project or any part thereof, or (ii) the due authorization or validity of the Bonds, unless the Institution has provided the Authority with security in such form and amount as may be reasonably required by the Authority. The foregoing notwithstanding, the 2006 Retained Bond Proceeds in the Construction Fund shall not be requested by the Institution nor disbursed from the applicable account thereof until the requirements of the Assignment have been satisfied with respect to the delivery of 2006 Retained Bond Proceeds Additional Collateral and 2006 Retained Bond Proceeds Additional Collateral Security.

(b) Prior to making and delivering any certificate required pursuant to the Resolution to be delivered to the Trustee in connection with payments to be made pursuant to the Resolution, the Institution shall have submitted to the Authority, and have received Authority approval with respect to, a Project budget and shall deliver to the Authority in connection with the delivery of each certificate required pursuant to the Resolution the following:

(1) a list of invoices, whether paid or unpaid, including, with respect to each invoice, the name of the vendor, a brief description of the goods or services, the amount of the invoice, a description of the building or buildings to which such payment relates, and, if such invoice has been paid, the date paid, the check number and the amount of the payment;

Loan Agreement;

(2) copies of architect's certification(s), if any, relating to the invoices listed pursuant to the

(3) a reconciliation of the approved budget with funds already disbursed together with funds requested for disbursement currently;

(4) a certificate executed by two Authorized Officers of the Institution and RCP-East certifying that:

(a) The enclosed architect's certification(s) is (are) a true and correct copy of the architect's certification(s) received by the Institution for the work to which it relates.

(b) The enclosed reconciliation of the approved budget with funds already disbursed together with funds requested for disbursement currently is true and correct.

(c) Expenses or monies for which payment is requisitioned in the amount set forth in the Loan Agreement have been incurred or expended for items which constitute Costs of the Project, as that term is defined in the Resolution, which Project has not been modified except as permitted by the Loan Agreement.

(d) Each amount contained therein has not been the basis of any prior disbursement from the Construction Fund.

(e) The payments being requisitioned are within the project budget submitted to and approved by the Authority in accordance with the provisions of the Loan Agreement, and to the best of the Authorized Officers' knowledge, the Project can be completed within budget.

(f) The Institution and RCP-East have complied with all provisions of the Loan Agreement, the Project Regulatory Agreement and the tax certificate, including, but not limited to those related to the use of the Project and certain prohibitions against use for sectarian religious instruction or religious worship and certain non tax-exempt purposes.

(g) If the payments being requisitioned are 2006 Retained Bond Proceeds, the Institution has satisfied the requirements of the Assignment with respect to 2006 Retained Bond Proceeds Additional Collateral and 2006 Retained Bond Proceeds Additional Collateral Security.

(h) The Institution and RCP-East, as applicable, will retain all original documentation related to expenditures for items which constitute Costs of the Project for at least seven (7) years for inspection at any time by the Authority or its auditors.

3. The Institution will receive the disbursements of moneys in the Construction Fund to be made under the Loan Agreement, and will hold the right to receive the same, as a trust fund for the purpose of paying the Costs of the Project for which each disbursement was made, and will cause the same to be first applied to such payment before using any part thereof for any other purposes.

4. The Institution shall permit the Authority and its authorized representatives and the Credit Facility Provider, at any time, to enter upon the property of the Institution and the Project to inspect the Project and all materials, fixtures and articles used or to be used in construction of the Project, and to examine all Contract Documents. The Institution shall furnish to the Authority and its authorized representatives and the Credit Facility Provider, when requested, copies of such Contract Documents. The Institution agrees to retain all documentation of expenditures for items which constitute Costs of the Project for at least seven (7) years after the date of completion of the Project to which such documentation relates.

5. The Authority, in its sole and absolute discretion, may waive, from time to time, any of the conditions set forth in the Loan Agreement. Any such waiver shall not be deemed a waiver by the Authority of its right to thereafter require compliance with any such condition. The Institution acknowledges and agrees that disbursements from the Construction Fund are to be made by the Trustee and shall be made in accordance with the Resolution only upon receipt by the Trustee of the documents required by the Resolution to be executed and delivered in connection with such disbursements.

6. The Project shall be deemed to be complete upon delivery to the Authority, the Credit Facility Provider and the Trustee of a certificate signed by an Authorized Officer of the Institution and RCP-East, as applicable, which certificate shall be delivered as soon as practicable after the completion of such Project, or upon delivery to the Trustee and the Institution of a certificate signed by the Authority and delivered at any time after completion of such Project. Any such certificate shall comply with the requirements of the Resolution. The Authority agrees that it will not execute and deliver any such certificate unless the Authority has notified the Institution in writing that, in the Authority's judgment, such Project has been completed substantially in accordance with the plans and specifications therefor and the Institution has failed to execute and deliver the certificate provided for herein within thirty (30) days after such notice is given. The moneys, if any, remaining in the Construction Fund after such Project has been deemed to be complete shall be paid as provided in the Resolution.

(Section 5)

Compliance with Governmental Requirements

The Contract Documents shall conform to all Governmental Requirements. The Institution shall comply with, or cause to be complied with, all Governmental Requirements with respect to the Project, or any part thereof, and the construction, operation, maintenance, repair and replacement thereof and any requirement of an insurance company writing insurance thereon irrespective of the nature of the work required to be done, extraordinary as well as ordinary and foreseen as well as unforeseen. Anything contained in the Loan Agreement to the contrary notwithstanding, the Institution shall have the right to contest the validity of any Governmental Requirement or the application thereof at the Institution's sole cost and expense. During such contest, compliance with any such contested Governmental Requirement may be deferred by the Institution, provided that prior to commencing any action or proceeding, administrative or judicial, contesting such Governmental Requirement the Institution shall notify the Authority of the Institution's intention to contest such Governmental Requirement and, if the Authority requests, shall furnish to the Authority a surety bond, moneys or other security, reasonably satisfactory to the Authority, securing compliance with the contested Governmental Requirement and payment of all interest, penalties, fines, fees and expenses resulting from or in connection with such contest or the failure of the Institution to comply with the contested Governmental Requirement. Any such action or proceeding instituted by the Institution shall be commenced as soon as is reasonably possible after the assertion of the applicability to the Project or any part thereof of the contested Governmental Requirement by a governmental authority, and shall be prosecuted to final adjudication or other final disposition with reasonable dispatch. Notwithstanding the furnishing of any bond, deposit or other security, the Institution promptly shall comply with any such Governmental Requirement and compliance shall not be deferred if at the time such Project, or any part thereof, to which such contested Governmental Requirement relates, would in the reasonable judgment of the Authority be in substantial danger by reason of the Institution's noncompliance with such Governmental Requirement of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would materially impair (i) the interests or security of the Authority under the Loan Agreement, under the Resolution or under the Mortgage Loan Documents; (ii) the ability of the Authority to enforce its rights thereunder; (iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under the Resolution; or (iv) the ability of the Institution to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under the Mortgage Loan Documents.

(Section 7)

Information Concerning the Institution

The Institution, whenever requested by the Authority or the Credit Facility Provider, shall provide and certify or cause to be provided and certified: (i) such information concerning the Institution, its finances and other related topics as an Authorized Officer reasonably determines to be necessary or desirable, including, but not limited

to, such information as in the sole judgment of the Authority is necessary to enable the Authority to complete and publish an Official Statement relating to and in connection with the sale of Bonds at the time when Bonds are to be offered for sale; (ii) that the Institution has reviewed the parts of the Official Statement describing the Institution, the Project, the Mortgaged Property, the sources and uses of the proceeds of the Bonds, and such other information as was supplied by the Institution and is contained in the Official Statement; (iii) that as of the dates of sale and delivery of the Bonds such parts of the Official Statement do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading; and (iv) such additional information as the Authority from time to time reasonably considers necessary or desirable to enable it to make any reports or obtain any approvals required by law, governmental regulation or the Resolution in order to issue the Bonds or to effect any of the transactions contemplated by the Loan Agreement, by the Resolution or the Series Resolution.

(Section 8)

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

1. The Institution by the Loan Agreement unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, the Authority Fee, as set forth in the Loan Agreement;

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

(c) All amounts payable under the Mortgage Note on the date due, including amounts due on the date of delivery of the Bonds, and at the times required under the Mortgage Note, all amounts required to be prepaid thereunder;

(d) On demand, in immediately available funds, the amounts required to make up any deficiency in any moneys held by the Trustee in the Debt Service Fund and then available for application on the payment date, to pay when due interest on the Bonds Outstanding, the Redemption Price of any Bonds called for redemption and/or the principal amount of the Bonds when due at maturity or by acceleration. If any moneys held under the Resolution are invested as provided therein and a loss results therefrom so that there are insufficient funds to meet the payments from the funds and accounts under the Resolution at the times and in the amounts required thereby, the Institution shall, on demand of the Trustee or the Authority, supply the deficiency;

(e) On demand, in immediately available funds, the amounts required to make up any deficiency in any moneys held by the Trustee in the Bond Purchase Fund and then available for application on any Tender Date to pay the purchase price of Tendered Bonds that are not remarketed or purchased with amounts drawn under the Credit Facility on such Tender Date;

(f) The Annual Administrative Fee through the final maturity date of the Bonds or until such Bonds are no longer Outstanding (to the extent not paid under the Mortgage Note);

(g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all its obligations under the Loan Agreement or under the Mortgage Loan Documents, the Resolution or the Series Resolution in accordance with the terms in the Loan Agreement, (v) for the fees and expenses of the Trustee and any Paying

Agent in connection with performance of their duties under the Resolution or the Series Resolution and (vi) for the fees and expenses of the Loan Servicer (to the extent not paid under the Mortgage Note);

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

(i) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds; and

(j) On demand, all redemption premiums, if any, payable with respect to each redemption of any of the Bonds (which payments shall be made in Available Monies).

The Authority by the Loan Agreement directs the Institution, and the Institution thereby agrees, to make the payments required by the Loan Agreement directly to the Loan Servicer for payment to the Trustee for deposit in the Debt Service Fund or Bond Purchase Fund, as the case may be, and application in accordance with the Resolution and the Series Resolution, the payments required by paragraph (b) of this subdivision directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority, the payments required by paragraph (i) of this subdivision, directly to the Loan Servicer for payment to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by directly to the Loan Servicer for payment to the Trustee for payment to or at the direction of the Authority.

The Institution agrees to make all payments due under the Loan Agreement and under the Mortgage Note with its own moneys or with moneys borrowed pursuant to valid loan agreements and shall not permit any "insider" (as defined in the Bankruptcy Code) to make payments under the Loan Agreement or under the Mortgage Note on its behalf.

2. Notwithstanding any provision in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this subdivision), (i) all moneys paid by the Loan Servicer to the Trustee pursuant to the Loan Agreement (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions in the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Bondholders, except in respect to the payment to the Institution by the Trustee as provided for in the Resolution.

3. The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution or its designee to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution or the Series Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part therein contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the

Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project.

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

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

5. To the extent provided in the Mortgage Note and in accordance with the conditions set forth therein, the Institution, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Loan Servicer for payment to the Trustee. In addition, the Credit Facility Provider or the Loan Servicer, on behalf of the Borrower, may voluntarily prepay a portion the Mortgage Loan by making a Loan Equalization Payment to the Trustee in accordance with the Reimbursement Agreement. In the event of any such voluntary payment, the amount so paid shall be deposited 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 the Credit Facility Provider or the Loan Servicer, on behalf of the Institution, or any deposit in the Debt Service Fund made pursuant to the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution and the Series Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution.

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

(Section 9)

Warranty as to Title; Encumbrances; Title Insurance

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

The Institution covenants that title to the Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances and such other encumbrances approved in writing by the Authority.

The Institution agrees to provide the Authority at the expense of the Authority (i) title insurance policy in form and substance, and by insurer(s), acceptable to the Authority and the Credit Facility Provider in the amount of the aggregate principal amount of the Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid first lien on the Mortgaged Property, free and clear of liens and encumbrances except Permitted Encumbrances, and (ii) a current survey or surveys, including a metes and bounds description, of the Mortgaged Property, certified to the Authority, the Credit Facility Provider and the Loan Servicer and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

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

The Institution will not sell, transfer, encumber or otherwise dispose of the Mortgaged Property except as permitted by the Mortgage and the Assignment and provided that the Institution delivers to the Trustee an opinion of Bond Counsel stating that the change will not have an adverse effect on the status of the taxability of the Bonds for federal income taxation purposes. The Institution agrees that any sale, transfer, encumbrance or other disposition of the Mortgaged Property in violation of the Loan Agreement shall be null, void and without effect and shall be ineffective to relieve the Institution of its obligations under the Loan Agreement, provided that the Loan Agreement shall not be construed to prohibit (a) the granting by the Institution of a subordinate instrument or instruments approved by the Credit Facility Provider (each, in this clause, a “Subordinate Mortgage”), provided that each Subordinate Mortgage shall be subject to a subordination agreement (the “Subordination Agreement”) in form and substance acceptable to the Credit Facility Provider and the Authority, or (b) the (1) foreclosure of the Mortgage, acceptance of a deed-in-lieu of foreclosure or comparable conversion of the Mortgage Loan in accordance with the terms of the Assignment, or (2) the foreclosure of any Subordinate Mortgage by the holder of the Mortgage Note or the beneficiary of the Subordinate Mortgage subject, in all cases, to the terms and conditions of the applicable Subordination Agreement.

(Section 10)

Consent to Pledge and Assignment by the Authority

1. The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee and the Credit Facility Provider of the Authority’s right, title and interest in the Loan Agreement (except the Reserved Rights) and other property and interests of the Authority, all as provided in the Resolution and the Assignment. The rights of the Authority and the Trustee set forth in the Loan Agreement are subject to the provisions of the Assignment and to the extent any provision in the Loan Agreement is contrary to or inconsistent with any provision of the Assignment the provisions of the Assignment shall govern.

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its certificate of incorporation and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, and to make and deliver the Mortgage and the Mortgage Note. The Institution further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority, granted or made pursuant hereto or to the Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions in the Loan Agreement and the Mortgage and the Mortgage Note are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest and assignment made in the Mortgage Loan Documents against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Mortgage and the Mortgage Note, and the consummation of the transactions contemplated in the Loan Agreement and compliance with the provisions in 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 certificate of incorporation or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

3. The Institution acknowledges that the Authority has, pursuant to the Assignment, assigned certain of its rights in the Loan Agreement and in the Mortgage Note and the Mortgage to the Credit Facility Provider and the Trustee, as their interests may appear.

(Section 11)

Tax-Exempt Status

The Institution agrees that at all times (a) it shall not perform any act or enter into any agreement which shall adversely affect its federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the portion of the Project financed with proceeds of the Series 2006A Bonds to be used in any manner, or for any trade or business or other non exempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on such Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 12)

Securities Acts Status

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

(Section 13)

Maintenance of Corporate Existence

The Institution shall covenant that it will maintain its corporate existence, will continue to operate as a non-profit institution for charitable purposes 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 for charitable purposes as set forth in its charter 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 (w) no Event of Default shall have occurred and be continuing and, (x) the written consent of the Credit Facility Provider and the Authority shall have been obtained, (y) all conditions set forth in the Mortgage shall have been satisfied, and (z) prior written notice shall have 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 counsel satisfactory to the Authority and the Credit Facility Provider adversely affect the exclusion from federal gross income of the interest paid or payable on the Series 2006A Bonds or adversely affect the status of the Project as a non-profit housing and health facility for purposes of the Act, (b) that the surviving, resulting or transferee corporation or organization, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and under the Mortgage and furnishes to the Authority and the Credit Facility Provider a certificate and an opinion of counsel to the effect that upon such sale, transfer, consolidation, merger or acquisition of such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act and (d) such other certificates and opinions as may reasonably be required by the Authority or the Credit Facility Provider.

(Section 14)

Use of the Project as a Non-Profit Housing and Health Facility

The Institution agrees that the Project shall be occupied or used only as a non-profit housing and health facility (as defined in the Act) for the benefit of The New York and Presbyterian Hospital.

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

The Authority and the Institution acknowledge and agree that, subject to the rights, duties and remedies of the Authority under the Project Regulatory Agreement, the RCP-East shall have sole and exclusive control of, possession of and responsibility for (i) the First Avenue Facility, (ii) the operation of the First Avenue Facility and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of the First Avenue Facility.

The Institution shall operate, or cause the operation of, the Project in accordance with all licensure and other requirements of the Department of Health of the State to the extent that such licensure and other requirements apply to the Project or any portion thereof.

(Section 16)

Restrictions on Religious Use

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

(Section 17)

Maintenance, Repair and Replacement

The Institution shall agree that throughout the term described in the Loan Agreement, it shall, at its own expense, hold, operate and maintain 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 shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Mortgaged Property may be properly and advantageously conducted. The Institution shall not make any change or alteration of a structural nature in or to the Mortgaged Property without the prior written consent of the Authority.

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

(Section 18)

Covenant as to Insurance

1. The Institution shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions providing services similar to those provided by the Institution. All policies of insurance required by this section shall be primary to any insurance maintained by the Authority.

2. The Institution shall, 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 or the Mortgaged Property the construction of which shall 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 shall be on a one hundred per cent (100%) completed 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 or the Mortgaged Property in an amount not less than one hundred per cent (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 per cent (100%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall 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 shall 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; and

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

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

5. Each policy maintained pursuant to the Loan Agreement will provide that the insurer writing such policy shall give at least thirty (30) days notice in writing to the Authority, the Credit Facility Provider and the Loan Servicer of the cancellation or non-renewal or material change in the policy unless a lesser period of notice is expressly approved in writing by the Authority, the Credit Facility Provider and the Loan Servicer. The Institution, not later than July 15 of each year, shall provide to the Authority, the Credit Facility Provider and the Loan Servicer certificate(s) of insurance describing all policies of insurance maintained as of June 30 by the Institution pursuant to the Loan Agreement 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. All policies of insurance shall be open to inspection by the Authority and the Trustee or their representatives at all reasonable times. If any change shall be made in any such insurance, a description and notice of such change shall be furnished to the Authority and the Trustee at the time of such change. The Institution covenants and agrees not to make any change in any policy of insurance which would reduce the coverages or increase the deductible thereunder without first securing the prior written approval of the Authority.

7. All policies of insurance required pursuant to the Loan Agreement, other than policies of workers' compensation insurance, shall include the Authority and the Institution, and, upon assignment of a Mortgage pursuant to the Resolution, the assignees of the Authority, as additional insureds or as mortgagee or as loss payee as appropriate.

8. In the event the Institution fails to provide the insurance required by the Loan Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required by the Loan Agreement at the expense of the Institution. The policies procured and maintained by the Authority shall be open to inspection by the Institution at all reasonable times, and, upon request of the Institution, a complete list describing such policies as of the June 30 preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.

(Section 19)

Taxes and Assessments

The Institution shall 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 Mortgaged Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Mortgaged Property and its equipment. The Institution shall file exemption certificates as required

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

(Section 21)

Arbitrage; Rebate Calculations

The Institution covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase such Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of Excess Earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America. Upon written request from the Institution, the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(Sections 31 and 32)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment shall be made by and only in accordance with the Assignment by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which shall be filed with the Trustee.

(Section 38)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution

to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the satisfaction of the Mortgage and the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 40)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Set forth below are summaries of certain sections of the Resolution. These summaries do not purport to be complete and reference should be made to the Resolution, copies of which are on file with the Authority and the Trustee, for a complete statement of the rights, duties and obligations of the Authority, the Trustee and Bondholders under the Resolution. The headings below are not part of the Resolution but have been added for ease of reference only.

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 on any property or rights pledged under the Resolution or by the Applicable Assignment unless consented to by the Credit Facility Provider in writing.

(Section 2.05)

Pledge of Revenues

The proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues, and all funds authorized pursuant to the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund and an Applicable Bond Purchase Fund, are pursuant to the Resolution pledged to the Applicable Trustee for the benefit of the Holders of the Applicable Series of Bonds and the Credit Facility Provider, as their interests may appear, as security for (i) 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 the Applicable Series Resolution and (ii) all obligations to the Credit Facility Provider under the Applicable Reimbursement Agreement, the Applicable Assignment and the Assigned Documents (as defined in the Applicable Assignment), all in accordance with the Resolution and of the Applicable Assignment.

The pledge made under the Resolution is valid, binding and perfected from the time when the pledge attaches and the property and interests which are pledged pursuant to the Resolution and by the Applicable Assignment shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Authority payable solely from and secured by a pledge of the Applicable Revenues and the property and rights pledged pursuant to the Resolution and by the Applicable Assignment, which pledge shall constitute a first lien thereon.

To secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and in consideration of the provision by the Credit Facility Provider of the Applicable Credit Facility, to secure all obligations owed to the Credit Facility Provider under the Applicable Reimbursement Agreement and the Assigned Documents (as defined in the Applicable Assignment), the Authority does pursuant to the Resolution assign to the Applicable Trustee on behalf of the Holders of the Bonds of the Applicable Series and to the Credit Facility Provider, as their interests may appear and in accordance with the terms of the Applicable Assignment, all of its right, title and interest in and to the Applicable Loan Agreement and Applicable Mortgage Loan Documents and said Assigned Documents, except for the Reserved Rights and as otherwise provided in the Applicable Assignment, including but not limited to all rights to receive payment on the Applicable Mortgage Note and under the Applicable Loan Agreement and the Applicable Mortgage Loan Documents, including all proceeds of insurance or condemnation awards. The Trustee, in accordance with the Resolution, is authorized and directed to enter into the Applicable Assignment.

Notwithstanding such pledge and assignment, neither the Holders of Bonds nor the Trustee nor the Credit Facility Provider (unless it shall so elect in writing) shall be liable or responsible in any manner or to any extent for the performance of any of the covenants or provisions of an Applicable Loan Agreement or Applicable Mortgage Loan Documents to be performed by the Authority and until such time the Authority shall remain liable to perform all covenants and provisions contained in the Applicable Loan Agreement and Mortgage Loan Documents to be performed by it.

(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 Bonds 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;

Credit Facility Fund;

Bond Purchase Fund;

Principal Reserve Fund; and

Arbitrage Rebate Fund

(Section 5.02)

Application of Moneys in the Construction Fund

(1) For purposes of internal accounting, an account in the 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 Applicable Loan Agreement or the Applicable Bond Series Certificate.

(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 of the Applicable Series issued in connection with such Applicable Series Resolution or Applicable Bond Series Certificate and the Costs of the Project in connection with which such Bonds were issued.

(3) Except as otherwise provided in the Applicable Series Resolution, payments for Costs of a Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Except as otherwise provided in the Applicable Series Resolution, such certificate or certificates shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

(4) Except as otherwise provided in the Applicable Series Resolution, a Project shall be deemed to be complete (a) upon delivery to the Authority, the Credit Facility Provider and the Trustee of a certificate signed by an Authorized Officer of the Institution which certificate shall be delivered as soon as practicable after the date of

completion of such Project or (b) upon delivery to the Institution, the Credit Facility Provider 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 shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of the Institution, shall 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 the Applicable Series of Bonds and Costs of a Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

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

Second: 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)

Deposit of Revenues and Allocation Thereof

(1) The Applicable Revenues and any other moneys which, by any of the provisions of the Applicable Loan Agreement, are required to be deposited in the Applicable Debt Service Fund, will upon receipt by the Trustee be deposited to the credit of the appropriate account in the Applicable Debt Service Fund. Amounts on deposit in the Debt Service Fund in excess of (a) the amount necessary to pay the interest becoming due on Outstanding Bonds of the Applicable Series on the next succeeding interest payment date for such Bonds; (b) the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Outstanding Bonds of the Applicable Series on the next succeeding principal payment date for such Bonds; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, shall be paid by the Trustee on or before the Business Day preceding each interest payment date FIRST, to the Credit Facility Provider up to the amount of any Advance made by the Credit Facility Provider (unless the Trustee has received notice from the Credit Facility Provider that it has been reimbursed for such Advance) and any other amounts owed to the Credit Facility Provider under the Applicable Reimbursement Agreement (as certified by the Credit Facility Provider to the Applicable Trustee in writing) and SECOND, to the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Bonds for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement or Applicable Mortgage in accordance with the terms thereof, and (iii) the Annual Administrative Fee of the Authority; but only upon receipt by the Trustee of a certificate of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph.

(2) So long as there is no event of default under the Resolution or the Applicable Loan Agreement and the Trustee has not received notice of any event of default under the Applicable Reimbursement Agreement, any balance remaining in the Applicable Debt Service Fund in excess of the amounts described in the Resolution after each principal payment date for the Bonds shall be paid by the Trustee upon and in accordance with the direction of the Authority to the Institution in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance of security interest created by the Resolution or by the Applicable Loan Agreement. The Trustee shall notify the Authority and the Institution of the amount to be paid to the Institution.

(3) Notwithstanding the provisions of the Resolution, the Authority may, at any time but in no event less than forty-five (45) days prior to the 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, Term Bonds of the Applicable Series to be redeemed from such Sinking Fund Installment. Any such Term Bond so purchased and any Term Bond of the Applicable Series purchased by the Institution and delivered to the Trustee in accordance with the Applicable Loan Agreement

shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of such Term Bond so canceled shall be credited against the Sinking Fund Installment due on the next principal payment date; provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(Section 5.05)

Debt Service Fund

The Trustee will on each Interest Payment Date disburse or transfer moneys on deposit in the Applicable Debt Service Fund, as follows:

FIRST: (x) to the Credit Facility Provider, the amount of the interest component of any Advance under the Applicable Credit Facility for the payment of interest due on all Outstanding Bonds of the Applicable Series on such Interest Payment Date, or (y) in the event of a Credit Facility Provider Default, until such Credit Facility Provider Default is cured, to the Bondholders, the interest due on all Outstanding Bonds of the Applicable Series on such Interest Payment Date;

SECOND: (x) to the Credit Facility Provider, the amount of the principal component of any Advance under the Applicable Credit Facility for the payment of principal (including Sinking Fund Installments) due on all Outstanding Bonds of the Applicable Series on such Interest Payment Date, or (y) in the event of a Credit Facility Provider Default, until such Credit Facility Provider Default is cured, to the Bondholders of the Applicable Series, the principal amount (including Sinking Fund Installments) due on all Outstanding Bonds of the Applicable Series on such Interest Payment Date;

THIRD: (x) to the Credit Facility Provider, or (y) in the event of a Credit Facility Provider Default to the Bondholders of the Applicable Series, moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution;

The amounts paid out pursuant to the Resolution will be irrevocably pledged to and applied to such payments.

(Section 5.07)

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

(1) Moneys delivered to the Trustee which, in accordance with the Resolution, are to be applied for redemption of Bonds of an Applicable Series, will upon receipt by the Trustee be deposited to the credit of the Applicable Debt Service Fund for such purpose.

(2) In the event that on any Interest Payment Date the amount in the Applicable Debt Service Fund, exclusive of amounts therein deposited for the redemption of Bonds of an Applicable Series, shall be less than the amounts respectively required for payment of interest on Outstanding Bonds of an Applicable Series, for the payment of principal of such Outstanding Bonds or for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such Interest Payment Date, the Trustee shall apply moneys in the Applicable Debt Service Fund deposited therein for the redemption of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority: first, to pay interest on, and second, principal of or Sinking Fund Installments of such Bonds, respectively; provided, however, that to the extent that such payments are made from Advances made under the Applicable Credit Facility, such amounts on deposit in the Applicable Debt Service Fund shall be paid to the Credit Facility Provider in reimbursement for such Advances.

(3) Subject to the Resolution, moneys in the Applicable Debt Service Fund to be used for redemption of an Applicable Series of Bonds shall be applied by the Trustee to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which

such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

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

(Section 5.07)

Credit Facility Fund

The Trustee shall deposit all amounts advanced under the Applicable Credit Facility into the Applicable Credit Facility Fund, except for Mandatory Tender Advances and Liquidity Advances, which Mandatory Tender Advances and Liquidity Advances shall be deposited into the Bond Purchase Fund pursuant to the Resolution. No other moneys shall be deposited into the Applicable Credit Facility Fund and the Applicable Credit Facility Fund shall be maintained as a segregated account and moneys therein shall not be co-mingled with any other moneys held under the Resolutions. The Applicable Credit Facility Fund will be closed at such time as the Credit Facility Provider has no continuing liability under the Applicable Credit Facility. The Trustee will, on each date on which a payment is due on the Applicable Series of Bonds under the Resolutions and in respect of which an Advance is made under the Applicable Credit Facility, apply such Advance, on the date such payment is due, to the payment of the amounts in respect of which such Advance was made. In no event shall amounts on deposit in the Applicable Credit Facility Fund be applied to the payment of principal of and interest and premium on any Pledged Bonds or any Bonds of an Applicable Series known by the Trustee to be held by the Institution or any Affiliate of the Institution. Any amounts remaining in the Applicable Credit Facility Fund after making the payment for which the Advance was made pursuant to the Applicable Credit Facility shall be immediately refunded to the Credit Facility Provider.

(Section 5.08)

Bond Purchase Fund

The Trustee shall deposit each of the following into the Applicable Bond Purchase Fund:

(1) remarketing proceeds received upon the remarketing of Tendered Bonds of an Applicable Series to any person; and

(2) any Liquidity Advance or Mandatory Tender Advance under the Applicable Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds of an Applicable Series to the extent that moneys obtained pursuant to paragraph (1) are insufficient on any date to pay the purchase price of such Tendered Bonds, which amounts the Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date.

Subject to the Resolution permitting reimbursement of amounts owed to the Credit Facility Provider, moneys in the Applicable Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds of the Applicable Series. Amounts held to pay the purchase price for more than one year will be applied in the same manner as provided under the Resolution with respect to unclaimed payments of principal and interest.

The Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Applicable Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent will apply such amounts to pay the purchase price of Bonds of the Applicable Series purchased under the Resolution to the former owners of such Bonds upon presentation of such Bonds to the Tender Agent in accordance with the provisions of the Applicable Bond Series Certificate.

(Section 5.09)

Principal Reserve Fund

(1) The Trustee shall deposit each of the following amounts into the Applicable Principal Reserve Fund:

(a) All of the monthly payments made by the Institution in accordance with the Schedule of Deposits to Principal Reserve Fund attached to the Applicable Reimbursement Agreement, as such schedule may be amended in accordance with the Applicable Reimbursement Agreement; and

(b) Investment income earned on amounts on deposit in the Applicable Principal Reserve Fund.

The Trustee may rely upon the Schedule of Deposits to Principal Reserve Fund attached to the Applicable Reimbursement Agreement provided to it as of the date of issuance of the Applicable Series of Bonds until it is furnished an amended schedule by the Credit Facility Provider or the Loan Servicer.

(2) The Trustee shall pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(a) at the written direction of the Credit Facility Provider, to the Credit Facility Provider to reimburse the Credit Facility Provider for any unreimbursed Advance under the Applicable Credit Facility and to pay any other amounts required to be paid by the Institution under the Applicable Bond Documents, the Applicable Mortgage Loan Documents or the Applicable Reimbursement Agreement (including any amounts required to be paid to the Credit Facility Provider);

(b) at the written direction of the Credit Facility Provider, with the written consent of the Institution (so long as an event of default has not occurred and is not continuing under the Applicable Reimbursement Agreement), to the Credit Facility Provider or the Institution, as the Credit Facility Provider elects, for any use approved in writing by the Credit Facility Provider;

(c) at the written direction of the Credit Facility Provider, if a default has occurred under the Reimbursement Agreement, any Applicable Mortgage Loan Document or any Applicable Bond Document, to the Credit Facility Provider for any use approved in writing by the Credit Facility Provider;

(d) at the written direction of the Credit Facility Provider, if a new mortgage and mortgage note have been substituted for the Applicable Mortgage and the Applicable Mortgage Note in accordance with the Applicable Mortgage Loan Documents, or if the Institution otherwise consents, for any purpose approved in writing by the Credit Facility Provider;

(e) unless the Credit Facility Provider otherwise requires by written notice to the Trustee, on each Adjustment Date, to the Applicable Debt Service Fund to be applied to the redemption of Bonds of the Applicable Series in accordance with the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate;

(f) on the twenty-fifth (25th) day of each month, all amounts on deposit in the Applicable Principal Reserve Fund (rounded downward to the nearest authorized denomination) in excess of the Principal Reserve Amount, to the Applicable Debt Service Fund to be applied to the redemption of Bonds the Applicable Series of Bonds in accordance with the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate; and

(g) pay to the Institution, investment income on moneys in the Applicable Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no

deficiency in the Applicable Debt Service Fund, the Applicable Principal Reserve Fund or the Applicable Arbitrage Rebate Fund, and that the Trustee has not received written notice from the Credit Facility Provider or the Loan Servicer to the effect that an event of default has occurred under the Applicable Reimbursement Agreement, any Applicable Mortgage Loan Document or any Applicable Bond Document. If a deficiency exists in the Applicable Debt Service Fund, the Applicable Principal Reserve Fund or the Applicable Arbitrage Rebate Fund, the Trustee shall transfer such investment income to the Applicable Debt Service Fund, Applicable Principal Reserve Fund and/or the Applicable Arbitrage Rebate Fund, in that order of priority, prior to any payment to the Institution.

(h) (1)(i) Upon the occurrence and during the continuance of a PRF Triggering Event, the Credit Facility Provider shall, by delivering to the Institution, the Trustee and the Authority a notice stating that a “PRF Triggering Event” has occurred under the Applicable Reimbursement Agreement, have the absolute right, in its discretion, to require that the Institution choose to either (w) direct the Trustee that funds on deposit in the Applicable Principal Reserve Fund be used to redeem Bonds of the Applicable Series, or (x) within thirty (30) days of such notice, deliver (or cause to be delivered) a PRF Letter of Credit to the Trustee, for deposit in the Applicable Principal Reserve Fund, provided, however, that no such deposit of a PRF Letter of Credit, and no release of moneys or Permitted Investments pursuant to paragraph (2) of the Resolution will be effected, unless prior thereto or concurrently therewith the Institution shall deliver (or cause to be delivered) to the Trustee and the Authority the following opinions, in form and substance satisfactory to the Authority, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Authority, the Trustee and the Credit Facility Provider: (y) with respect to Tax-Exempt Bonds, an opinion to the effect that neither the delivery and deposit of such PRF Letter of Credit, nor such release of moneys and Permitted Investments from the Applicable Principal Reserve Fund, will adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Applicable Series of Bonds, and (z) an opinion to the effect that such PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms.

Any amounts transferred from the Applicable Principal Reserve Fund for the purpose of redeeming Bonds of an Applicable Series pursuant to the Resolution (or to the reimbursement of the Credit Facility Provider in connection therewith) shall constitute a prepayment of the Mortgage Loan at the option of the Institution.

(ii) In substitution of a PRF Letter of Credit the Institution may deliver (or cause to be delivered) a Replacement PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund in accordance with the provisions of the Applicable Reimbursement Agreement; provided, however, that no such deposit of a Replacement PRF Letter of Credit shall be effected, unless prior thereto or concurrently therewith the Institution shall deliver (or cause to be delivered) to the Trustee and the Authority the following opinions, in form and substance satisfactory to the Authority, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Authority, the Trustee and the Credit Facility Provider: (y) with respect to Tax-Exempt Bonds, an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Applicable Series of Bonds, and (z) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms. Any such Replacement PRF Letter of Credit delivered to the Trustee in accordance with this subparagraph (iii) shall constitute a PRF Letter of Credit for purposes of the Resolution.

(2) Upon delivery to the Trustee of a PRF Letter of Credit subsequent to the date of original issuance of an Applicable Series of Bonds, if the opinions required by the Resolution shall have been delivered, the Trustee shall release, to or upon the order of the Institution, all moneys and Permitted Investments then on deposit in the Applicable Principal Reserve Fund; provided that the aggregate amount so released shall not exceed the amount then available to be drawn under the PRF Letter of Credit. Upon delivery to the Trustee of a Replacement PRF Letter of Credit, if the opinions required by the Resolution shall have been delivered, the Trustee shall release the PRF Letter of Credit being replaced to the PRF Letter of Credit provider.

(3) Moneys drawn or to be drawn under a PRF Letter of Credit shall constitute amounts on deposit in the Applicable Principal Reserve Fund for the purposes of the Resolution. The Trustee shall draw upon a PRF Letter of Credit for payment, transfer or other application in accordance with the Resolution.

(4) If the Credit Facility Provider determines that (i) no “Event of Default” or “Default” continues under the Applicable Reimbursement Agreement and (ii) as of the most recent Quarterly Determination Date and as of each of the four (4) prior Quarterly Determination Dates the “Actual Debt Service Coverage Ratio” (calculated by the Credit Facility Provider in accordance with the Applicable Reimbursement Agreement) exceeded 1.20:1, then the Credit Facility Provider shall direct the Trustee to surrender the PRF Letter of Credit previously delivered to the Trustee pursuant to the Resolution to the provider thereof in simultaneous exchange for an amount of money equal to the face amount of such PRF Letter of Credit, which money shall be deposited in the Applicable Principal Reserve Fund; provided, however, that, with respect to Tax-Exempt Bonds, no such surrender of the PRF Letter of Credit shall be made unless prior thereto the Institution shall deliver (or cause to be delivered) to the Trustee, the Authority and the Credit Facility Provider an opinion, in form and substance satisfactory to the Authority, the Trustee and the Credit Facility Provider, of Bond Counsel who is reasonably acceptable to the Authority, the Trustee and the Credit Facility Provider to the effect that such surrender and exchange will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Applicable Series of Bonds.

(5) If ten (10) Business Days prior to the expiration of a PRF Letter of Credit, the Trustee has not received (i) a renewal, replacement or extension of such PRF Letter of Credit, (ii) written evidence from the Credit Facility Provider to the effect that all conditions contained in the Applicable Reimbursement Agreement with respect to such renewal, replacement or extension have been met, and (iii) the following opinions, addressed to the Trustee, the Authority and the Credit Facility Provider, in form and substance satisfactory to the Authority, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Authority, the Trustee and the Credit Facility Provider: (y) with respect to Tax-Exempt Bonds, an opinion to the effect that the delivery and deposit of such renewal, replacement or extension will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Applicable Series of Bonds, and (z) an opinion to the effect that such renewal, replacement or extension is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms, then the Trustee shall draw the full amount available to be drawn under the PRF Letter of Credit. If the Trustee is not required to draw on the PRF Letter of Credit because the conditions of the preceding sentence have been met and such PRF Letter of Credit is being replaced by another PRF Letter of Credit, such PRF Letter of Credit shall be returned to the PRF Letter of Credit provider. In the event of a draw on a PRF Letter of Credit, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of Bonds of the Applicable Series in whole or in part in an amount not exceeding the amount so drawn under such PRF Letter of Credit.

(6) Immediately after the Trustee shall have obtained actual knowledge of a downgrading of the long-term debt obligations of the issuer of a PRF Letter of Credit below either “BBB” by S&P or “Baa” by Moody’s, or, upon the written consent or the written direction of the Credit Facility Provider, thirty (30) days after a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below “A” by S&P or Moody’s to a rating of “BBB” or above by S&P or “Baa” or above by Moody’s, the Trustee shall draw the full amount available to be drawn under such PRF Letter of Credit. In the event of such a draw on a PRF Letter of Credit, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption of Bonds of the Applicable Series in whole or in part (or the reimbursement of the Credit Facility Provider in connection therewith) in an amount not exceeding the amount so drawn under the PRF Letter of Credit. Nothing contained in the Resolution shall limit the ability of the Institution to obtain a Replacement PRF Letter of Credit in accordance with the Resolution.

(7) If the Institution fails to either cause a redemption of Bonds of the Applicable Series or to provide a PRF Letter of Credit in accordance with the provisions of the Resolution, the Credit Facility Provider shall have the right to direct the Trustee to apply amounts in the Applicable Principal Reserve Fund to the mandatory redemption of Bonds of the Applicable Series in whole or in part (or the reimbursement of the Credit Facility Provider in connection therewith) in an amount not exceeding the amount then on deposit in the Principal Reserve Fund.

(Section 5.10)

Arbitrage Rebate Fund

The Trustee shall 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 in the Resolution, shall 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 shall be set forth in such directions.

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

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to an Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the 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 Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States or America the amount, if any, required by the Code to be rebated thereto.

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions in the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund, the amounts held in the appropriate accounts in the Applicable Debt Service 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 and the requirements set forth in the Resolution are satisfied, the Trustee shall so notify the Authority, the Credit Facility Provider and the Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds of such Series. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds as provided in the Resolution.

(Section 5.12)

Transfer of Investments

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

(Section 5.13)

Acceptance of the Credit Facility

On the date of issuance of the Applicable Series of Bonds, the Trustee shall accept the Applicable Credit Facility issued by the Credit Facility Provider. The Trustee shall hold the Applicable Credit Facility and shall enforce in its name all rights of the Trustee and all obligations of the Credit Facility Provider under the Applicable Credit Facility for the benefit of the Bondholders of the Applicable Series. The Trustee shall not assign or transfer the Applicable Credit Facility except to a successor Trustee under the Resolutions. The Authority and the Trustee acknowledge that the obligations of Fannie Mae as the Credit Facility Provider under the Applicable Credit Facility

are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally-chartered, stockholder owned corporation.

(Section 5.14)

Requests for Advances Under Credit Facility

The Trustee shall request Advances under the Applicable Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price (to the extent the Trustee may request an Advance under the Applicable Credit Facility in accordance with its terms) is due on the Applicable Series of Bonds or any payment of the Annual Administrative Fee is due and not paid by the Institution pursuant to the Applicable Loan Agreement. The Trustee shall not request, and shall not apply the proceeds of, any Advance to pay (i) principal of, interest on or the purchase price of, any Pledged Bond or any Bond of the Applicable Series known by the Trustee to be held by the Institution or any Affiliate of the Institution, (ii) premium that may be payable upon the redemption of any Bonds of the Applicable Series or (iii) interest that may accrue on any of the Bonds of the Applicable Series on or after the maturity of such Bond. Prior to requesting an Advance to pay principal of or interest on the Applicable Series of Bonds on an Interest Payment Date, the Trustee shall determine the amount necessary to make such payment of principal or interest and with respect to the purchase price, whether an Advance may be requested under the Applicable Credit Facility.

(Section 5.15)

Return of Payments Under the Credit Facility

In the event the Trustee receives a Liquidity Advance or Mandatory Tender Advance from the Credit Facility Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bonds, then the Trustee shall promptly reimburse the Credit Facility Provider with such funds to the extent of the amount so paid by the Credit Facility Provider as a reimbursement on behalf of the Institution.

(Section 5.16)

Enforcement of Credit Facility

The Trustee shall hold the Applicable Credit Facility and shall in its name enforce all rights of the Trustee and all obligations of the Credit Facility Provider under the Applicable Credit Facility for the benefit of the Bondholders of the Applicable Series.

(Section 5.17)

Limitations on Rights of Credit Facility Provider

Notwithstanding anything contained in the Resolutions to the contrary, all provisions in the Resolutions regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Facility Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Facility Provider were not mentioned in such provisions (i) if a Credit Facility Provider Default has occurred and is continuing, or (ii) after the Applicable Credit Facility ceases to be valid and binding on the Credit Facility Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Facility Provider's right to notices and the payment of amounts due to the Credit Facility Provider shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Facility Provider.

(Section 5.18)

Certain Notices to the Credit Facility Provider and the Loan Servicer

The Trustee and Authority shall promptly notify the Credit Facility Provider and the Loan Servicer of any of the following as to which it has actual knowledge: (i) the occurrence of any event of default under the Resolutions or under any of the other Applicable Bond Documents or Applicable Mortgage Loan Documents, or any event which, with the passage of time or service of notice, or both, would constitute such an event of default thereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such event, (ii) an Act of Bankruptcy or a bankruptcy filing by or against the Institution and (iii) the making of any claim in connection with seeking the avoidance as a preferential transfer (“Preference Claim”) of any payment of principal of, or interest on, the Applicable Mortgage Loan.

(Section 5.19)

Credit Facility Provider to Control Insolvency Proceedings

Subject to the Resolution, each Bondholder, by its purchase of Bonds, the Trustee and the Authority agree that the Credit Facility Provider may at any time during the continuation of an insolvency proceeding of the Authority or the Institution (“Insolvency Proceeding”) direct all matters relating to the Bonds in any such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedes or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Credit Facility Provider shall be subrogated to the rights of the Authority, the Trustee and the Bondholders in any Insolvency Proceeding to the extent it has performed its payment obligations under the Applicable Credit Facility, including any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding and rights pertaining to the filing of a proof of claim, voting on a reorganization plan and rights to payment thereunder.

(Section 5.20)

Amendments to the Credit Facility

The Applicable Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

(1) At the request of the Credit Facility Provider, the Trustee shall exchange the Applicable Credit Facility with the Credit Facility Provider for a new Credit Facility issued by the Credit Facility Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Services then rating the Applicable Series of Bonds to the effect that such exchange shall not adversely affect the rating then in effect for the Applicable Series of Bonds and (ii) if applicable, a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Applicable Series of Bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Authority, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Resolution, the Applicable Series Resolution or the Applicable Bond Series Certificate.

(2) The Trustee may consent, without the consent of the owners of the Applicable Series of Bonds, to any amendment of the Applicable Credit Facility not addressed in subsection (1) which does not prejudice in any material respect the interests of the Bondholders of the Applicable Series.

(3) Except as provided in subsections (1) and (2), the Applicable Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of the owners of all Outstanding Bonds of the Applicable Series. No amendment may be made to the Applicable Credit Facility which would reduce the amounts required to be paid under such Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

(Section 5.21)

Security for Deposits

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

(Section 6.01)

Investment of Funds Held by the Trustee

(1) Money held pursuant to the Resolution by the Trustee, excluding amounts on deposit in an Applicable Credit Facility Fund and an Applicable Bond Purchase 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, signed by an Authorized Officer of the Authority (which direction will specify the amount thereof to be so invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of the Credit Facility Provider or a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that, each such investment will permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution; and provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment will have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral will be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral will be free and clear of claims of any other person. Money held under the Resolution by the Trustee in an Applicable Credit Facility Fund and an Applicable Bond Purchase Fund shall be held uninvested. Notwithstanding the foregoing, moneys on deposit in the Applicable Principal Reserve Fund shall be invested in Investment Securities upon the direction of the Credit Facility Provider, in its sole discretion, given or confirmed in writing.

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

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

(4) Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided under this heading. 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 money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee will give written notification to the Authority, the Institution and upon the written request of the Credit Facility Provider, such Credit Facility Provider, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of

the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (1) and (2) under this heading. 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 and account in the previous month.

(5) No part of the proceeds of any 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.

(6) No forward delivery agreements, Investment Agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account held by the Trustee under the Resolution without the prior written consent of the Credit Facility Provider.

(Section 6.02)

Payment of Principal and Interest

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

(Section 7.01)

Extension of Payment of Bonds

The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds of an Applicable Series or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of such Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit thereof or of any Applicable Series Resolution or to any payment out of any assets of the Authority if the funds (except funds held in trust for the payment of particular Bonds of an Applicable Series or claims for interest pursuant to the Resolution and to any Applicable Series Resolution) held by the Trustee, except subject to the prior payment of the principal of all Outstanding Bonds of an Applicable Series the maturity of which has not been extended and of such portion of the interest on such Bonds as are not represented by such claims for interest. Nothing in the Resolution will be deemed to limit the right of the Authority to issue Refunding Bonds as permitted by the Resolution and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds of an Applicable Series refunded.

(Section 7.02)

Powers as to Bonds of an Applicable Series and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue Bonds of an Applicable Series, to adopt the Resolution and each Applicable Series Resolution and to pledge and assign the property and rights which are pledged pursuant to the Resolution and by Applicable Assignment in the manner and to the extent provided in the Resolution and in the Applicable Assignment. The Authority further covenants that the property and rights pledged pursuant to the Resolution and by the Applicable Assignment are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created pursuant to the Resolution, and that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further represents that the Bonds of an Applicable Series and the provisions of the Resolution and of the Applicable Series Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority further covenants that it will at all times, to the extent permitted by law, defend, preserve and protect the pledge made by the Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Further Assurance

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

(Section 7.04)

Accounts and Audits

The Authority will keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries will be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, will be subject to the inspection of the Institution, the Credit Facility Provider, the Loan Servicer, the Applicable Trustee or any Holder of a Bond of an Applicable Series or such Holder's representative duly authorized in writing. The Trustee will annually prepare a report, which shall be furnished to the Authority, the Credit Facility Provider, the Loan Servicer and to the Institution. Such report will include at least a statement of all funds (including investments thereof) held by the Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report will, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a book-entry Bond requesting the same.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge on the property and rights pledged pursuant to the Resolution and by the Applicable Assignment without the prior written consent of the Credit Facility Provider.

(Section 7.06)

Enforcement of Duties and Obligations of the Institution

The Authority will assign all of its right, title and interest in each Applicable Loan Agreement (other than the Reserved Rights) to the Credit Facility Provider and the Trustee in the Applicable Assignment. Therefore, the Authority will not be responsible for causing the Institution to perform all duties and acts and comply with the covenants of the Institution required by the Applicable Loan Agreement in the manner and at the times provided in such Loan Agreement; provided, however, that the Authority may enforce the Reserved Rights in such manner as the Authority deems appropriate, subject only to the provisions of the Applicable Assignment.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of an Applicable Series of Bonds to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for financing or refinancing the acquisition, construction, reconstruction, renovation or equipment of a Project will be deposited in the Applicable Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

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

(Section 7.09)

Amendment of Loan Agreement and Project Regulatory Agreement

An Applicable Loan Agreement or an Applicable Project Regulatory Agreement may be amended, changed, modified, altered or terminated in any way without the consent of the Holders of any Bonds or the Trustee but with the prior written consent of the Credit Facility Provider, which prior written consent shall not be unreasonably withheld.

(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 which is intended to be tax-exempt, the Authority will comply with the provisions of the Code applicable to such Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of such Bonds, reporting of earnings on the Gross Proceeds of such 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 tax regulatory agreement or other similar agreement executed and delivered in connection with the issuance of such Applicable Series of Bonds.

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 of 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 such Applicable Series, or of any other Applicable Series, or the Trustee acting on their behalf, or any party other than the Credit Facility Provider, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority’s failure to comply with the provisions of The Resolution or of the Code.

(Section 7.12)

Amendment or Substitution of Mortgage or Mortgage Note

The Trustee and the Authority acknowledge the Trustee’s obligation to assign its interest in the Applicable Mortgage and the Applicable Mortgage Note to the Credit Facility Provider and the control by the Credit Facility Provider of the Mortgage Loan Rights (as defined in the Applicable Assignment) under, and on the terms provided in, the Applicable Assignment. Upon receipt of written direction from the Credit Facility Provider in accordance with the Applicable Assignment, the Trustee, without the consent of the Holders of any Bonds, shall consent to any amendment, modification, supplement or restatement of the Applicable Mortgage Note and/or the Applicable Mortgage, or exchange such Applicable Mortgage Note and/or the Applicable Mortgage for a new mortgage note and/or mortgage which may be executed by a person other than the Institution.

(Section 7.13)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Applicable Supplemental Resolutions for any one or more of the following purposes, and any such Applicable Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority together with the prior written consent of the Credit Facility Provider:

(1) 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;

(2) 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;

(3) To surrender any right, power or privilege reserved to or conferred upon the Authority pursuant to 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;

(4) 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, an Applicable Series Resolution, the Applicable Revenues, or any pledge of any other moneys, Permitted Investments or funds;

(5) To modify any of the provisions in the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series Outstanding as of the date of adoption of such Applicable Supplemental Resolution shall cease to be Outstanding, and all Bonds shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(6) 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 herewith as theretofore in effect, or to modify any of the provisions in the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds or the Credit Facility Provider in any material respect.

The Authority shall give the Credit Facility Provider and the Loan Servicer notice of each such Applicable Supplemental Resolution adopted pursuant to the Resolution amending the Resolution.

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions in the Resolution and of 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 prior written consent of the Credit Facility Provider and 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)

Defeasance

(1) If the Authority shall 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, with Available Moneys, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bond Series Certificate, and if the Trustee shall have received a written statement from the Credit Facility Provider stating that all amounts owed to the Credit Facility Provider from the Institution under the Applicable Mortgage Loan Documents or Reimbursement Agreement have been fully paid, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other property rights pledged pursuant to the Resolution or by the Applicable Assignment and all other rights granted pursuant to the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption shall be paid or delivered 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 Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. Such Permitted Investments so paid or delivered shall be released from any trust, pledge, lien encumbrance or security interest created pursuant to the Resolution or by the Applicable Series Resolution, or by the Applicable Loan Agreement.

(2) Bonds of an Applicable Series for which Available Moneys 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 the Resolution. All Outstanding Bonds of any Series or any maturity or a portion of a maturity will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either Available Moneys in an amount which will be sufficient, or Defeasance Securities purchased with Available Moneys, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority 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 The Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with The Resolution in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution 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 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 hereinabove

to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created pursuant to 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 one (1) year 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, shall at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(4) No principal or Sinking Fund Installment of or installment of interest on a Bond of an Applicable Series will be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that the Credit Facility Provider 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, the Credit Facility Provider 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 as to the sufficiency of the deposit made pursuant to the Resolution, (c) a copy of the escrow deposit agreement or letter of instruction in form and substance acceptable to such Credit Facility Provider, (d) an opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability of the interest payable on the Bonds from gross income for federal income tax purposes and (e) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Provider, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied. In addition, in the event that the Bonds of an Applicable Series to be defeased pursuant to the Resolution are variable interest rate bonds, prior to such defeasance becoming effective under the Resolution, the Authority and the Trustee will have received a notice or letter from each Rating Service then maintaining a rating on such Bonds to the effect that the proposed defeasance will not, in and of itself, result in a downgrade or withdrawal of the ratings on the Bonds to be defeased.

(Section 12.01)

**SUMMARY OF CERTAIN PROVISIONS
OF THE REIMBURSEMENT AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

Wachovia Multifamily Capital, Inc., successor by merger to American Property Financing, Inc. (for purposes of this Appendix E, the “Lender”) and Fannie Mae have established the Master Credit Facility in favor of the Institution in the approximate principal amount of \$243,665,000, which may be increased to a principal amount not to exceed \$400,000,000. The Master Credit Facility may be used by the Institution as mortgagor and affiliated co-mortgagors (collectively referred to in this Appendix E as the “Mortgagor”) to finance in the future other projects through either bonds secured by credit facilities issued by Fannie Mae, or through conventional loans originated by Lender and purchased by Fannie Mae (collectively, the “Portfolio”). Each bond-financed loan or a conventional loan made to the Mortgagor under the Master Credit Facility, will be evidenced by a mortgage note or notes executed by Mortgagor and secured by a mortgage on the related property or properties in the Portfolio.

The Reimbursement Agreement governs the reimbursement by Mortgagor of draws under credit facilities (including the Credit Enhancement Instruments) issued pursuant to the Master Credit Facility and the repayment of conventional loans originated and purchased pursuant to the Master Credit Facility. The Reimbursement Agreement also requires the Mortgagor to pay various fees and expenses as set forth in the Reimbursement Agreement, and sets forth various affirmative and negative covenants of Mortgagor.

Set forth below is an abridged or summarized excerpt of the events of default and remedies sections of the Reimbursement Agreement. This excerpt does not purport to be complete or to cover all sections of the Reimbursement Agreement. Reference is made to the Reimbursement Agreement, a copy of which is on file with the Trustee, for a complete statement of the rights, duties and obligations of Fannie Mae, Lender and Mortgagor.

Events of Default

The occurrence of any one or more of the following events constitutes an event of default under the Reimbursement Agreement:

- (i) the occurrence of an “Event of Default” (as such term is defined in the applicable Borrower Document) under any document executed by Mortgagor in connection with any property in the Portfolio (each a “Borrower Document”) or any guaranty (each a “Guaranty”) given by a party acceptable to Fannie Mae (the “Guarantor”) with respect to a Portfolio property or, the breach beyond any applicable cure period by Mortgagor or, if applicable, guarantor, of its covenants, agreements or obligations under any Borrower Document or Guaranty; or
- (ii) the failure by Mortgagor to pay any amount when due and owing under the Reimbursement Agreement, the Mortgage Note, the Mortgage, or any Portfolio property mortgage note or mortgage, or any other Borrower Document other than as set forth in (iii) below; or
- (iii) the failure by Mortgagor to pay any amount relating to certain fees when due and owing under the Reimbursement Agreement within five (5) days after receipt of notice from the Lender or Fannie Mae that such amounts are due and owing; or
- (iv) the failure of Mortgagor to perform or observe certain covenants, conditions or agreements set forth in the Reimbursement Agreement; or
- (v) the failure by Mortgagor to cooperate with the remarketing agent in complying with any of the federal securities laws relating to continuing disclosure that are applicable to Portfolio bonds (including the Series 2006 Bonds) within one (1) Business Day after receipt of notice from Lender or Fannie Mae identifying such failure; or
- (vi) the failure by Mortgagor to perform or observe certain other covenants set forth in the Reimbursement Agreement within ten (10) Business Days after receipt of notice from the Lender or Fannie Mae identifying such failure; or

(vii) the failure by Mortgagor to perform or observe any covenant, condition or agreement required to maintain its status as a single-purpose entity within twenty (20) days after receipt of notice from the Lender or Fannie Mae identifying such failure, it being agreed by Fannie Mae that, if any inadvertent failure of Mortgagor to perform or observe any such covenant, condition or agreement cannot be undone retroactively, such failure is deemed to be cured if within such 20 day period Mortgagor corrects such failure prospectively, makes any appropriate economic adjustment that may be required to remedy such failure, and notifies any third party that had been misinformed by reason of such failure that an error had been made; or

(viii) the failure by Mortgagor to perform or observe any term, covenant, condition or agreement set forth in the Reimbursement Agreement not specified in (i) through (vii) above within thirty (30) days after receipt of notice from the Lender or Fannie Mae identifying such failure; *provided* such period shall be extended for up to thirty (30) additional days if Mortgagor, in the discretion of Lender, is diligently pursuing a cure within thirty (30) days after receipt of such notice; or

(ix) any warranty, representation or other written statement made by or on behalf of Mortgagor or Guarantor contained in the Reimbursement Agreement, any other Borrower Document or in any instrument furnished in compliance with or in reference to any of the foregoing, is proved false or misleading in any material respect on any date when made or deemed made; or

(x) (i) Mortgagor, the Hospital, or Guarantor (A) commences a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) files a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consents to or fails to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) applies for or consents to, or fails to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (E) admits in writing its inability to pay, or generally not be paying its debts as they become due, (F) makes a general assignment for the benefit of creditors, (G) dissolves or liquidates for any reason (whether voluntary or involuntary), (H) takes any action for the purpose of effecting any of the foregoing or (I) suffers an attachment or other judicial seizure of any substantial portion of its assets or suffers an execution of a substantial portion of its assets and such seizure is not discharged or released by bonding or the posting of other security acceptable in form and substance to Fannie Mae within thirty (30) days; or (ii) a case or other proceeding is commenced against Mortgagor, the Hospital or any guarantor in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or consolidation or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of Mortgagor, the Hospital or any guarantor, or of all or a substantial part of the property, domestic or foreign, of Mortgagor, the Hospital or any guarantor and any such case or proceeding continues undismissed or unstayed for a period of sixty (60) consecutive calendar days, or any order granting the relief requested in any such case or proceeding against Mortgagor, the Hospital or any guarantor (including, but not limited to, an order for relief under such Federal bankruptcy laws) is entered; or

(xi) the lien and security interest purported to be created under the Reimbursement Agreement or under any other Borrower Document at any time for any reason ceases to be valid and binding in accordance with its terms on the Authority, HDC or any other issuer of bonds in connection with the Reimbursement Agreement, as the case may be (each, an "Issuer"), Mortgagor or Guarantor or is declared to be null and void, or the validity or enforceability of the Reimbursement Agreement or of any other Borrower Document, or the validity or priority of the lien and security interest created under the Reimbursement Agreement or under any Borrower Document is contested by the Issuer, Mortgagor, the Hospital or Guarantor seeking to establish the invalidity or unenforceability of the Reimbursement Agreement or of any other Borrower Document, or the Issuer, Mortgagor, the Hospital (only with respect to certain documents executed by the Hospital) or Guarantor (only with respect to the Guaranty), denies that it has any further liability or obligation under the Reimbursement Agreement or under any other Borrower Document; or

(xii) (a) the execution by Mortgagor of a chattel mortgage or other security agreement on any materials, fixtures or articles used in the construction or operation of the improvements located on any Portfolio property including the Mortgaged Property or on articles of personal property located therein, or (b) any such materials, fixtures or articles are purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in Mortgagor free from encumbrances, or (c) Mortgagor does not furnish to Lender upon request the contracts, bills of sale, statements, receipted vouchers and agreements, or any of them, under which Mortgagor claims title to such materials, fixtures, or articles; or

(xiii) Fannie Mae has given Mortgagor written notice that Purchased Bonds have not been remarketed within one year following purchase by the Trustee on behalf of Mortgagor and the Mortgagor has not reimbursed Fannie Mae for the applicable advance and activity fee under the Credit Enhancement Instrument and/or has not replenished the withdrawal from the Principal Reserve Fund; or

(xiv) any judgment against Mortgagor or any judgment in excess of \$250,000 individually or in the aggregate against guarantor, any attachment or other levy against any portion of Mortgagor's or Guarantor's assets with respect to a claim remains unpaid, unstayed on appeal, undischarged, unbonded, not fully insured or undismissed for a period of thirty (30) days after the date by which such judgment (in accordance with its terms) is required to be paid or the date on which any such attachment or other levy encumbers the Mortgagor's or any Guarantor's assets; or

(xv) failure for a period of ten (10) Business Days after request, to furnish to Fannie Mae the results of official searches made by any governmental authority, or failure by Mortgagor to comply with any requirement of any governmental authority within the time period required by such governmental authority; or

(xvi) any other indebtedness of or assumed by Mortgagor or any other indebtedness in excess of \$250,000 of or assumed by Guarantor (i) is not paid when due nor within any applicable grace period in any agreement or instrument relating to such indebtedness or (ii) becomes due and payable before its normal maturity by reason of a default or event of default, however described, or any other event of default occurs and continues after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or

(xvii) (i) Mortgagor fails to pay when due or within any applicable grace period any amount payable by Mortgagor under any hedging arrangement or (ii) the termination of any hedging arrangement after any default or event of default, however described, by Mortgagor under any hedging arrangement; or

(xviii) the Hospital's status as an organization described in Section 501(c)(3) of the Internal Revenue Code that is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code is modified or limited in any material respect or revoked by the Internal Revenue Service; or

(xix) the master lease between Mortgagor and the Hospital ceases to be in full force and effect prior to its expiration date or is terminated without Lender's prior written consent; or

(xx) the occurrence of a default by Mortgagor or the Hospital under the subordination agreement entered into by Mortgagor, the Hospital and Fannie Mae or the master lease between Mortgagor and the Hospital which continues beyond any applicable cure period.

Remedies

Upon the occurrence of an "Event of Default" under the Reimbursement Agreement described above, Fannie Mae may, but is not be obligated to, exercise any or all of the following remedies:

(i) terminate the commitment of Fannie Mae to provide credit enhancement for fixed and variable interest rate bonds and declare the principal of and interest on all loans made to the Mortgagor under the Master Credit Facility and all other sums owing by Mortgagor to Lender and Fannie Mae under any of the Borrower Documents forthwith due and payable, whereupon the Master Credit Facility commitment will terminate and all other sums owing by Mortgagor to Lender and Fannie Mae under any of the Borrower Documents will become forthwith due and payable; or

(ii) exercise all or any of its rights and remedies as it may otherwise have under applicable laws and under the Reimbursement Agreement or the other Borrower Documents or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for specific performance of any covenant or agreement contained in the Reimbursement Agreement or any other Borrower Document, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy; or

(iii) demand that Mortgagor provides cash collateral or Government Obligations in the full amount of the outstanding obligations under all of the bonds, including the Series 2006 Bonds whether or not due and payable; or

(iv) apply all or any portion of the collateral pledged by Mortgagor to Fannie Mae to any obligations of Mortgagor under the Reimbursement Agreement or any other Borrower Document, in such amounts, at such times and in such order as determined by Fannie Mae; including among other things, applying funds or directing the Trustee or Servicer, as the case may be, to apply funds on deposit in the Principal Reserve Fund, the cash collateral account or draw under any letter of credit to the reimbursement of other payment obligations under the Reimbursement Agreement or any other Borrower Document; or

(v) deliver to the Trustee written notice that an “Event of Default” has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Borrower Documents as Fannie Mae may determine, including a request that the Trustee call the Series 2006 Bonds for mandatory redemption in whole or in part or mandatory tender in whole or in part in accordance with the terms and conditions of the Resolution; or

(vi) instruct the Trustee pursuant to the Assignment to assign the assigned documents to Fannie Mae; or

(vii) have access to and have the right to inspect, examine, have audited and make copies of books and records and any and all accounts, data, and income tax and other tax returns of Mortgagor; or

(viii) terminate affiliate contracts relating to any of the Portfolio properties or terminate the management agreement, or subject to the rights of third parties, terminate employment arrangements providing for the management or maintenance of the Portfolio properties.

Remedy Upon PRF Triggering Event Or Failure To Maintain PRF Letter Of Credit

Notwithstanding anything in the Reimbursement Agreement or in any other Borrower Document to the contrary, (i) if Mortgagor fails upon a PRF Triggering Event to cause a redemption of Series 2006 Bonds, to deposit a Principal Reserve Fund Letter of Credit to the applicable Principal Reserve Fund or to amend, supplement, extend or replace the Principal Reserve Fund Letter of Credit pursuant to the terms and conditions of the Reimbursement Agreement, (ii) if the long-term debt obligations of the Principal Reserve Fund LOC Bank are downgraded to the levels set forth the Reimbursement Agreement, or (iii) if there exists an Event of Default or a Potential Event of Default (as defined in the Reimbursement Agreement) under the Reimbursement Agreement, then Fannie Mae may, but is not obligated to, as its only remedy under the Reimbursement Agreement (except with respect to an Event of Default), direct the Trustee to redeem Series 2006 Bonds (regardless of whether such Series 2006 Bonds are scheduled for redemption) in such amounts (up to the amounts on deposit in the Principal Reserve Fund) and at such times as determined by Fannie Mae; and to apply the amount on deposit in the Principal Reserve Fund to reimburse

Fannie Mae for advances made with respect to such redemption; provided that nothing in the foregoing shall be construed as a limitation on Fannie Mae's right to exercise any remedies in connection with an Event of Default as set forth in the Reimbursement Agreement

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**FORM OF OPINION OF BOND COUNSEL TO THE AUTHORITY
DELIVERED UPON ISSUANCE OF THE SERIES 2006 BONDS**

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**FORM OF OPINION OF BOND COUNSEL
DELIVERED UPON ISSUANCE OF THE SERIES 2006 BONDS**

Upon delivery of the Series 2006 Bonds, Winston & Strawn LLP, Bond Counsel to the Authority, issued its legal opinion in substantially the following form:

November 16, 2006

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$147,770,000 aggregate principal amount of Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and \$23,610,000 aggregate principal amount of Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B (Federally Taxable) (the "Series 2006B Bonds", and together with the Series 2006A Bonds the "Series 2006 Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the Dormitory Authority Act, being Titles 4 and 4-B of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Health Care Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York (as so amended, the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2006 Bonds are issued under and pursuant to the Act, the Authority's Royal Charter Properties-East, Inc. Revenue Bond Resolution, adopted September 27, 2006 (the "Resolution"), the Authority's Royal Charter Properties-East, Inc. Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "Series 2006A Resolution"), adopted September 27, 2006 and the Authority's Royal Charter Properties-East, Inc. Series Resolution Authorizing Up To \$185,000,000 Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B (the "Series 2006B Resolution", and together with the Series 2006A Resolution, the "Series Resolutions"), adopted September 27, 2006. The Resolution and the Series Resolutions are herein collectively referred to as the "Resolutions." Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Resolutions.

The Series 2006 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the applicable Bond Series Certificate (as defined in the applicable Series Resolution).

The Authority and Royal Charter Properties-East, Inc. (the "Institution") have entered into a Loan Agreement, dated as of September 27, 2006 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments sufficient to pay the principal and Sinking Fund Installments of and interest on the Series 2006 Bonds, as well as the Authority's annual administrative expenditures and costs. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal or Redemption Price of or interest on the Series 2006 Bonds have been pledged by the Authority for the benefit of the Holders of the Series 2006 Bonds.

The Series 2006A Bonds are subject to various requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be met at and subsequent to the issuance and delivery of the Series 2006A

Bonds in order that interest on the Series 2006A Bonds be and remain not includable in gross income of the Bondholders for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, required ownership of a facility by a Section 501(c)(3) organization or governmental unit, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with the continuing requirements may cause interest on the Series 2006A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Resolution, the Series Resolution and the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinions set forth herein as to federal and state income tax matters assume continuing compliance by the Authority and the Institution (and their successors) with such covenants and the accuracy, in all material respects, of such representations and certifications (as to which we have made no independent investigation).

Certain requirements and procedures contained or referred to in the Resolutions, the Loan Agreement and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents. Winston & Strawn LLP expresses no opinion as to any Series 2006 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2006 Bonds thereunder.

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

3. The Series 2006 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2006 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution and the Series Resolutions, are enforceable against the Authority in accordance with their terms and the terms of the Resolution and the Series Resolutions and are entitled to the benefits of the Resolutions and the Act.

4. The Loan Agreement has been duly authorized, executed and delivered by the Authority and assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

5. Based on the above stated assumptions, under existing statutes, regulations, rulings and court decisions, interest on the Series 2006A Bonds is not includable in gross income for federal income tax purposes. Interest on the Series 2006A Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax on individuals and corporations. However, it should be noted that interest on the Series 2006A Bonds owned by corporations (other than S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of corporate "adjusted current earnings," a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). We express no opinion regarding other federal tax consequences related to the ownership of disposition of, or the accrual or receipt of interest on the Series 2006A Bonds.

6. Interest on the Series 2006B Bonds is included in gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences related to the ownership of disposition of, or the accrual or receipt of interest on the Series 2006B Bonds.

7. The interest on the Series 2006 Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions thereof (including the City of New York).

We have examined a specimen of the executed Series 2006A Bond and Series 2006B Bond and, in our opinion, the form of said bonds are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2006 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2006 Bonds.

In connection with the delivery of this opinion letter, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institution.

Our opinions set forth herein are based upon the facts in existence and the laws in effect on the date hereof and we disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

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**PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE AUTHORITY
TO BE DELIVERED UPON REMARKETING OF THE SERIES 2006 BONDS**

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**PROPOSED FORM OF OPINION OF BOND COUNSEL
TO BE DELIVERED UPON REMARKETING OF THE SERIES 2006 BONDS**

Upon the remarketing of the Series 2006 Bonds, and the adjustment of the interest thereon to a weekly variable rate of interest, Winston & Strawn LLP, Bond Counsel to the Authority with respect to the remarketing of the Series 2006 Bonds, proposes to issue a supplemental opinion in substantially the following form:

March 17, 2008

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

Ladies and Gentlemen:

On November 16, 2006, Winston & Strawn LLP, as Bond Counsel to the Authority, delivered its opinion with respect to the issuance of \$147,770,000 aggregate principal amount of Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and \$23,610,000 aggregate principal amount of Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B (Federally Taxable) (the "Series 2006B Bonds", and together with the Series 2006A Bonds the "Series 2006 Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the Dormitory Authority Act, being Titles 4 and 4-B of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Health Care Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York (as so amended, the "Act").

The Series 2006 Bonds were issued under and pursuant to the Act and certain resolutions adopted September 27, 2006 (the "Resolutions") of the Authority and in accordance with the terms and provisions set forth in a Bond Series Certificate, dated as of November 14, 2006, relating to the \$147,770,000 Dormitory Authority of the State of New York Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A and a Bond Series Certificate, dated as of November 14, 2006, relating to the \$23,610,000 Dormitory Authority of the State of New York Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006B, each such certificate (collectively referred to as the "Series 2006 Bond Series Certificates") having been made and executed by an authorized officer of the Authority pursuant to delegations set forth in certain of the Resolutions.

The Series 2006 Bond Series Certificates set forth procedures pursuant to which the interest rate on the Series 2006 Bonds can be adjusted to the Weekly Variable Rate on the date hereof.

We are of the opinion that the adjustment of the interest rate on the Series 2006A Bonds to the Weekly Variable Rate is authorized and permitted by the Resolutions and the laws of the State, and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2006A Bonds. We are of the further opinion that the adjustment of the interest rate on the Series 2006B Bonds to the Weekly Variable Rate is authorized and permitted by the Resolutions and the laws of the State.

Very truly yours,

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