NEW ISSUES - BOOK ENTRY ONLY

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

DASNY
DORMITORY AUTHORITY STATE OF NEW YORK

DAC Bond

$25,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
BUENA VIDA NURSING HOME REVENUE BONDS, SERIES 2013

Consisting of

$25,510,000 Series 2013A	**$275,000 Series 2013B (Federally Taxable)**

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

Buena Vida Nursing Home Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and Buena Vida Nursing Home Revenue Bonds Series 2013B (Federally Taxable) (the "Series 2013B Bonds", and collectively with the Series 2013A Bonds, the "Series 2013 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority") authorized under the Authority's Buena Vida Nursing Home Revenue Bonds Bond Resolution, adopted May 15, 2013 (the "Resolution"), the Series Resolution Authorizing Up To $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013A, adopted by the Authority on May 15, 2013 (the "Series 2013A Resolution"), and the Series Resolution Authorizing Up To $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable), adopted by the Authority on May 15, 2013 (the "Series 2013B Resolution" and together with the Series 2013A Resolution and the Resolution, the "Resolutions").

Pursuant to the Resolutions, the Series 2013 Bonds will be secured by a pledge by the Authority of Revenues which shall consist of payments received or receivable by the Authority pursuant to a Loan Agreement (the "Loan Agreement"), dated as of May 15, 2013, between Buena Vida Corp. (the "Institution") and the Authority and from a mortgage insurance policy which was issued simultaneously with the delivery of the Refunded Bonds (as defined herein) by the State of New York Mortgage Agency ("SONYMA"), as amended (the "SONYMA Mortgage Insurance Policy"). The Series 2013 Bonds will be further secured by the respective funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund) and the Series 2013A Resolution and the Series 2013B Resolution, as applicable. The Series 2013A Bonds will be additionally secured by the Series 2013A Debt Service Reserve Account, and the Series 2013B Bonds will be additionally secured by the Series 2013B Debt Service Reserve Account, each of which will be funded in an amount equal to their respective Debt Service Reserve Fund Requirements. The Institution owns and operates Buena Vida Continuing Care and Rehabilitation Center, located at 48 Cedar Street, Brooklyn, New York (the "Facility").

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee (as defined herein), amounts sufficient to pay the principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2013 Bonds, as such payments become due. The obligations of the Institution to make such payments will be secured by a pledge of its Gross Receipts (as defined herein) and a mortgage on the Facility.

The Series 2013 Bonds are not a debt of the State of New York or SONYMA nor will the State or SONYMA be liable thereon. The Authority has no taxing power.

Description: The Series 2013 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due January 1, 2014 and each July 1 and January 1 thereafter) on the Series 2013 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2013 Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent, as more fully described herein.

The Series 2013 Bonds will be issued initially under a Book–Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2013 Bonds will be made in book–entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2013 Bonds, payments of the principal and Redemption Price of and interest on such Series 2013 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 4 – THE SERIES 2013 BONDS – Book–Entry Only System" herein.

Redemption: *The Series 2013 Bonds are subject to redemption prior to maturity as more fully described herein.*

Tax Matters: In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2013A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2013A Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that, based on existing statutes, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" herein regarding certain other tax considerations.

The Series 2013 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2013 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, McGlashan Law Firm, P.C., New York, New York and for the Underwriter by its counsel, McKenna Long & Aldridge LLP, New York, New York. The Authority expects to deliver the Series 2013 Bonds in definitive form in New York, New York, on or about July 3, 2013.

M. R. Beal & Company

June 20, 2013

$25,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
BUENA VIDA NURSING HOME REVENUE BONDS,

SERIES 2013A

$15,015,000 Serial Bonds

Due July 1	Amount	Interest Rate	Yield	CUSIP[1]	Due July 1	Amount	Interest Rate	Yield	CUSIP[1]
2014	$ 965,000	4.00%	0.65%	649907 QV7	2019	$1,550,000	5.00 %	2.35%	649907 RA2
2015	1,290,000	4.00	0.93	649907 QW5	2020	1,630,000	5.00	2.61	649907 RB0
2016	1,340,000	5.00	1.27	649907 QX3	2021	1,710,000	5.00	2.89	649907 RC8
2017	1,405,000	5.00	1.65	649907 QY1	2022	1,795,000	3.00	3.12	649907 RD6
2018	1,480,000	5.00	2.00	649907 QZ8	2023	1,850,000	3.125	3.26	649907 RE4

$10,495,000 4.75% Term Bonds Due July 1, 2028, Priced at 109.581% to Yield 3.90%, CUSIP Number 649907 RF1[1]

SERIES 2013B (Federally Taxable)

$275,000 Serial Bond

Due July 1	Amount	Interest Rate	Yield	CUSIP[1]
2014	$275,000	1.50%	0.90%	649907 RG9

---

(1) CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2013 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2013 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2013 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution, SONYMA or the Underwriter to give any information or to make any representations with respect to the Series 2013 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution, SONYMA or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Institution has reviewed the parts of this Official Statement describing the Institution, the Project, Principal and Interest Requirements for the Series 2013 Bonds, Bondholders' Risks, and the Estimated Sources and Uses of Funds. The Institution will certify as of the date of sale and the date of delivery of the Series 2013 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to information concerning SONYMA contained under the captions "State of New York Mortgage Agency" and "Source of Payment and Security for the Series 2013 Bonds – SONYMA Mortgage Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by SONYMA, and SONYMA makes no representation or warranty, express or implied, as to the (i) the accuracy or completeness of such information; (ii) the validity of the Series 2013 Bonds; or (iii) the tax status of the interest on the Series 2013 Bonds.

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

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

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS, THE UNDERWRITER MAY OVER–ALLOT BONDS OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

Page

[THIS PAGE INTENTIONALLY LEFT BLANK]

DORMITORY AUTHORITY – STATE OF NEW YORK 515 BROADWAY, ALBANY, NY 12207

PAUL T. WILLIAMS, JR. – PRESIDENT ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
$25,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
BUENA VIDA NURSING HOME REVENUE BONDS, SERIES 2013
Consisting of

$25,510,000	**$275,000**
Series 2013A	**Series 2013B (Federally Taxable)**

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the Buena Vida Continuing Care and Rehabilitation Center, located at 48 Cedar Street, Brooklyn, New York (the "Facility"), owned and operated by Buena Vida Corp. (the "Institution"), in connection with the offering by the Authority of its (i) $25,510,000 Buena Vida Nursing Home Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and (ii) $275,000 Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable) (the "Series 2013B Bonds" and together with the Series 2013A Bonds, the "Series 2013 Bonds").

The following is a brief description of certain information concerning the Series 2013 Bonds, the Authority, the Facility, the Institution, SONYMA and the SONYMA Mortgage Insurance Policy. A more complete description of such information and additional information that may affect decisions to invest in the Series 2013 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

Proceeds of the Series 2013A Bonds are to be used to make a loan to the Institution which, together with other available amounts, will be used to (i) refund all of the outstanding Dormitory Authority of the State of New York Buena Vida Nursing Home Revenue Bonds, Series 1998A (the "Refunded Bonds"); (ii) upgrade and renovate the Facility, which may include HVAC upgrades and repairs, upgrades to security and telephone systems, equipment purchases, wireless connectivity and television reception upgrades, sprinkler systems, replacement of fire extinguishers, and refurbishment of approximately 13,800 square feet of the Facility intended to be used for orthopedic purposes, and the purchase of new beds for the Facility; (iii) fund the Series 2013A Debt Service Reserve Account in an amount equal to its Debt Service Reserve Fund Requirement; and (iv) pay the Costs of Issuance of the Series 2013A Bonds. Proceeds of the Series 2013B Bonds are to be used to make a loan to the Institution which will be used to (i) fund the Series 2013B Debt Service Reserve Account in an amount equal to its Debt Service Reserve Fund Requirement; and (ii) pay the Costs of Issuance of the Series 2013 Bonds. See "PART 5 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 7 – THE REFUNDING PLAN," and "PART 8 – THE PROJECT."

The proceeds of the Refunded Bonds were used by the Institution to pay for the cost of financing the Facility, consisting of the construction and equipping of a 240–bed eight story residential health care facility at 48 Cedar Street, Brooklyn, New York to provide comprehensive institutional long–term care services in conjunction with medical services to residents of the communities of Brooklyn and Queens.

Authorization of Issuance

The Series 2013 Bonds will be issued pursuant to the Act and the Resolutions which authorize the issuance of the Series 2013 Bonds in a total aggregate amount not to exceed $27,210,000. The Resolutions authorize the issuance of additional bonds for the benefit of the Institution, provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS.”

The Series 2013 Bonds

The Series 2013 Bonds will be dated their date of delivery, and will bear interest from such date (payable January 1, 2014 and each July 1 and January 1 thereafter) at the rates and will mature as set forth on the inside cover page of this Official Statement. See “PART 4 – THE SERIES 2013 BONDS – Description of the Series 2013 Bonds.”

Payment of and Security for the Series 2013 Bonds

The Series 2013 Bonds will be special obligations of the Authority payable solely from the Revenues. The Series 2013 Bonds will be secured by a pledge by the Authority of the Revenues, which consist of payments received or receivable by the Authority pursuant to the Loan Agreement and the SONYMA Mortgage Insurance Policy. The Loan Agreement is a general obligation of the Institution. To secure the Institution’s obligation under the Loan Agreement, the Institution has pledged to the Authority all its rights, title and interests in the Gross Receipts (including the proceeds of the Gross Receipts). In connection with the issuance of the Refunded Bonds, the Institution granted a mortgage (as previously modified, the “1998 Mortgage”) on the Mortgaged Property to secure the Institution’s obligations under the related loan agreement between the Authority and the Institution (the “1998 Loan Agreement”) and its obligations under a related mortgage note (the “1998 Note”). Simultaneous with the delivery of the Series 2013 Bonds, the Refunded Bonds will be defeased, and the 1998 Note will be amended to reflect certain terms of the Series 2013 Bonds (as so amended, the “Note”). The 1998 Mortgage, which was insured by SONYMA under the SONYMA Mortgage Insurance Policy, will be modified as of the date of delivery of the Series 2013 Bonds as hereinafter described, to secure the Institution’s obligation under the Loan Agreement and the Note. The Series 2013 Bonds are additionally secured by the funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund) and the respective Series Resolution. The Resolutions also establish Debt Service Reserve Accounts for each Series, which shall be funded upon the delivery of the Series 2013 Bonds at their respective Debt Service Reserve Fund Requirements. With the prior approval of the Authority, SONYMA and the Department of Health, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Gross Receipts and Mortgaged Property securing the Series 2013 Bonds. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS.”

The Series 2013 Bonds will not be a debt of the State or SONYMA nor will the State or SONYMA be liable thereon. The Authority has no taxing power.

The Mortgage

The Institution has previously executed and delivered the 1998 Mortgage on the Mortgaged Property to secure its obligations under the 1998 Loan Agreement. Upon the refunding of the Refunded Bonds, the Mortgage will be amended by a mortgage modification agreement (the “Mortgage Modification Agreement”) executed by the Institution and the Authority (the 1998 Mortgage as amended, the “Mortgage”). The Mortgage will secure the payments required to be made by the Institution pursuant to the Loan Agreement and the Note. Neither the Mortgage nor any security interests created thereunder have been assigned to the Trustee to secure the Series 2013 Bonds; however, the Authority may, but has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolutions, assign the Mortgage and such security interests to the Trustee. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS – The Mortgage.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public–purpose facilities for certain educational, governmental and not–for–profit institutions. See “PART 10 – THE AUTHORITY.”

The Institution

The Facility is owned and operated by the Institution, a not–for–profit corporation exempt from federal income taxation as an organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Institution was incorporated on November 21, 1994 to construct and operate the Facility. See “PART 6 – THE INSTITUTION.”

The Institution has suffered recurring losses and has a net deficiency which has contributed to the issuance of a “going concern” opinion in connection with its audited financial statements entitled “Audited Financial Statements (together with Independent Auditor’s Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center, for the year ended December 31, 2012.” See “PART 9 – BONDHOLDERS’ RISKS - Uncertainty Regarding Going Concern of the Institution.”

The Refunding Plan

Substantially all of the proceeds of the Series 2013 Bonds will be used to defease and redeem the Refunded Bonds. See “PART 7 – THE REFUNDING PLAN.”

The Project

In addition to the current refunding described in “Part 7 - THE REFUNDING PLAN” herein, it is expected that $1,250,000 of the proceeds of the Series 2013 Bonds will be used to upgrade and renovate the Facility, which may include HVAC upgrades and repairs, upgrades to security and telephone systems, equipment purchases, wireless connectivity and television reception upgrades, sprinkler systems, replacement of fire extinguishers, and refurbishment of approximately 13,800 square feet of the Facility intended to be used for orthopedic purposes, and the purchase of new beds for the Facility. See “PART 8 – THE PROJECT.”

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS

Set forth below is a narrative description of certain statutory and contractual provisions relating to the source of payment of and security for the Series 2013 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the SONYMA Act, the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy. Copies of the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy are on file with the Authority and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Loan Agreement” and “Appendix D – Summary of Certain Provisions of the Resolutions” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2013 Bonds

The Series 2013 Bonds will be special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2013 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2013 Bonds and to maintain the Series 2013 Debt Service Reserve Accounts at their respective Debt Service Reserve Fund Requirements. The Revenues also include all payments received or receivable by the Authority pursuant to the SONYMA Mortgage Insurance Policy.

Payments under the Loan Agreement are to be made monthly by the tenth day of each month. Each payment is to be equal to a proportionate share of the interest coming due on the next succeeding interest payment date and of the principal coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least 45 days prior to a redemption date of Series 2013 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See "PART 4 – THE SERIES 2013 BONDS – Redemption Provisions."

The Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee for the benefit of the Bondholders. The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2013 Bonds. The payments to be made by the Institution to restore the Series 2013 Debt Service Reserve Accounts to their respective requirements are to be made directly to the Trustee for deposit therein.

Security for the Series 2013 Bonds

The Series 2013 Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of Series 2013 Bonds (until disbursed as provided in the Resolutions), the funds and accounts authorized and established under the Resolution (with the exception of the Arbitrage Rebate Fund) and the respective Series Resolutions, including the respective Series 2013 Debt Service Reserve Accounts, which will provide additional security for the Series 2013 Bonds, and the Authority's security interest in the Institution's Gross Receipts.

Gross Receipts

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

Debt Service Reserve Accounts

The Resolutions establish separate Debt Service Reserve Accounts for the Series 2013A Bonds and for the Series 2013B Bonds.

The Series 2013A Debt Service Reserve Account shall be maintained at an amount equal to the lesser of (i) one–third of the greatest amount required in the then current or any future Bond Year to pay the sum of interest on such Series 2013A Bonds accruing during such Bond Year, and the principal and Sinking Fund Installments of such Series 2013A Bonds payable on July 1 of the succeeding Bond Year, or (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of such Series 2013A Bonds, or (iii) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on such Series 2013A Bonds. The Series 2013B Debt Service Reserve Fund Requirement shall be maintained in an amount equal to one–third of the greatest amount required in the then current or any future Bond Year to pay the sum of interest on such Series 2013B Bonds accruing during such Bond Year, and the principal and Sinking Fund Installments of such Series 2013B Bonds payable on or prior to July 1 of the succeeding Bond Year. The Debt Service Reserve Fund Requirement for each series of the Series 2013 Bonds will be funded upon issuance of the Series 2013 Bonds from the proceeds of the related Series of Bonds.

Moneys in the Debt Service Reserve Accounts are to be withdrawn and deposited in the related Series 2013 Debt Service Fund whenever the amount in such Debt Service Fund on the fourth Business Day prior to an interest payment date is less than the amount which is necessary to pay the principal of, redemption price of, and interest on the related Series of Bonds payable on such interest payment date. The Resolution requires that the Institution restore a Debt Service Reserve Account to its requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in either Debt Service Reserve Account in excess of its requirement shall be withdrawn and applied in accordance with the Resolutions. See "Appendix D – Summary of Certain Provisions of the Resolutions."

The Mortgage

The Institution has previously executed and delivered the 1998 Note and the 1998 Mortgage on the Mortgaged Property to secure its obligations under the loan of the proceeds from the Refunded Bonds. In connection with the refunding of the Refunded Bonds and the issuance of the Series 2013 Bonds, the 1998 Mortgage will be modified by the Mortgage Modification Agreement by and between the Institution and the Authority (as so modified, the "Mortgage"). The Mortgage will secure the payments required to be made by the Institution pursuant to the Note and the Loan Agreement. Neither the Mortgage nor any security interests created thereunder, have been assigned to the Trustee to secure the Series 2013 Bonds; however, the Authority may, though has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolution, assign the Mortgage and such security interests to the Trustee. In addition, upon a lump sum payment by SONYMA, the Authority or the Trustee shall, if so directed by SONYMA, assign the Mortgage to SONYMA or its designee. The proceeds of any such lump sum payment shall be applied to the redemption of the Series 2013 Bonds. The Institution, with the prior approval of the Authority, SONYMA and the Department of Health, may incur debt secured on a parity with respect to the security interest in the Mortgaged Property securing the Series 2013 Bonds. See "PART 4 – THE SERIES 2013 BONDS – Redemption Provisions – *Special Mandatory Redemption*."

SONYMA Mortgage Insurance Policy

Simultaneously with the issuance and delivery of the Refunded Bonds, SONYMA issued a mortgage insurance policy, which policy will be amended as of the date of the issuance of the Series 2013 Bonds. The Institution's payment obligations under the Note and the Loan Agreement (the "Series 2013 Mortgage Loan") will be insured by the SONYMA Mortgage Insurance Policy, as amended, upon compliance with certain conditions.

Pursuant to the SONYMA Mortgage Insurance Policy, following certain defaults (each, a "Covered Default") under the Mortgage securing the Institution's obligations under the Series 2013 Mortgage Loan, the Authority shall file a claim for loss with SONYMA. Covered Defaults include a failure by the Institution to make all or part of any required payment under the Note and the Loan Agreement, and the avoidance as a preferential transfer under any bankruptcy law of any payment paid under the Note and the Loan Agreement. Upon the Authority filing a claim for loss, SONYMA has the option to either (i) make periodic payments of its obligation under the SONYMA Mortgage Insurance Policy in amounts equal to the amounts due with respect to the Series 2013 Mortgage Loan, or (ii) make a lump sum payment under the SONYMA Mortgage Insurance Policy in an amount equal to the sum of the principal outstanding and interest accrued on the Series 2013 Mortgage Loan from the date of such claim for loss to the date thirty (30) days following the date of payment in respect of such claim for loss. Periodic payments are to be made monthly. In addition, if SONYMA has chosen initially to make periodic payments it may nevertheless exercise its option to make a lump sum payment of its then outstanding obligation under the SONYMA Mortgage Insurance Policy at any time while SONYMA is making periodic payments.

Upon a lump sum payment by SONYMA, if so directed by SONYMA, the Authority shall assign the Mortgage to SONYMA or its designee. Pursuant to the Resolutions, a lump sum payment received from SONYMA is to be applied to the redemption of the Series 2013 Bonds. See "PART 4 – THE SERIES 2013 BONDS – Redemption Provisions – *Special Mandatory Redemption*."

For specific information on the coverage provided by the SONYMA Mortgage Insurance Policy, reference should be made to the SONYMA Mortgage Insurance Policy which is available at the principal office of the Authority. SONYMA makes no representation as to the contents of this Official Statement (other than this section and "PART 3 – STATE OF NEW YORK MORTGAGE AGENCY"), the suitability of the Series 2013 Bonds for any investor or compliance with any securities or tax laws and regulations which may relate to the issuance of the Series 2013 Bonds.

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

The SONYMA Mortgage Insurance Policy may terminate pursuant to its terms upon the occurrence of certain events including the modification of the Mortgage without the prior written consent of SONYMA or the disposal of property or collateral securing the Series 2013 Mortgage Loan prior to the final settlement of a claim for loss.

Events of Default and Acceleration

The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments, or Redemption Price of or interest on Series 2013 Bonds; (ii) the Authority shall take any action, or fail to take any action, which would cause the Series 2013A Bonds to be "arbitrage bonds" within the meaning of the Code, or fail to comply with the provisions of the Code and as a result thereof, interest on the Series 2013A Bonds becomes includable in gross income for federal income tax purposes; or (iii) a default by the Authority in the due and punctual performance of any covenant, condition, agreement or provision contained in the Series 2013 Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Owners of not less than 25% in principal amount of Outstanding Bonds).

The Resolution provides that, if an event of default (other than as described in clause (ii) or (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all Outstanding Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Owners of not less than 25% in principal amount of Series 2013 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Owners of the Series 2013 Bonds within ninety (90) days after knowledge of the occurrence, unless such event of default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal or Redemption Price of, or interest on, any of the Series 2013 Bonds, the Trustee shall be protected in withholding such notice thereof to the Owners of Series 2013 Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Owners of the Series 2013 Bonds.

General

The Series 2013 Bonds are not a debt of the State or SONYMA, nor will the State or SONYMA be liable thereon. The Authority has no taxing power. See "PART 10 – THE AUTHORITY."

Additional Bonds

In addition to the Series 2013 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects for the benefit of the Institution and for other specified purposes provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. Each series of Bonds issued under the Resolution will be separately secured from each other. See "Appendix D – Summary of Certain Provisions of the Resolutions."

PART 3 – STATE OF NEW YORK MORTGAGE AGENCY

As further described below, the State of New York Mortgage Agency ("SONYMA") operates a mortgage insurance program. Mortgage Loans insured by SONYMA are referred to as the "SONYMA–insured Mortgage Loans." The Series 2013 Bonds are not insured by SONYMA and SONYMA is not liable on the Series 2013 Bonds.

SONYMA was established pursuant to the State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the "SONYMA Act"). The directors of SONYMA consist of the State Comptroller or his appointee, the Director of the Budget of the State of New York, the Commissioner of the New York State Division of Housing and Community Renewal, one director appointed by the Temporary President of the State Senate, one director appointed by the Speaker of the State Assembly, and four directors appointed by the Governor with the advice and consent of the State Senate. SONYMA employs a staff of approximately 95 employees, including 10 persons who staff the legal, underwriting and risk evaluation, administrative and servicing units of the SONYMA Mortgage Insurance Fund. The issuance of commitments to insure loans of greater than $2,000,000 requires the approval of SONYMA's Mortgage Insurance Committee and the issuance of commitments to insure loans of greater than $7,000,000 also requires the approval of the directors of SONYMA.

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

The SONYMA Act authorizes SONYMA to create a mortgage insurance fund (the "SONYMA Mortgage Insurance Fund"). The SONYMA Mortgage Insurance Fund is used as a revolving fund for carrying out the provisions of the SONYMA Act with respect to mortgages insured thereunder and with respect to providing credit support for the CCDC bonds or ancillary bond facilities. The Series 2013 Bonds are not secured by monies held in the SONYMA Mortgage Insurance Fund and SONYMA is not liable on the Series 2013 Bonds. The SONYMA Act provides that all monies held in the SONYMA Mortgage Insurance Fund, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA or for providing credit support for the CCDC bonds or ancillary bond facilities pursuant to the SONYMA Act. Only monies in the appropriate accounts of the SONYMA Mortgage Insurance Fund will be available to SONYMA for payment of SONYMA's liabilities under the SONYMA mortgage insurance policies for the SONYMA–insured Mortgage Loans (the "SONYMA Insurance").

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

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

The SONYMA Act provides that all monies held in the Project Pool Insurance Account, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act. The claims–paying ability of each of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated “Aa1” by Moody’s Investors Service with a negative outlook on the Singe Family Pool Insurance Account. The claims–paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated “AA–” and “AA+,” respectively, by Fitch, Inc. with a negative outlook on the Project Pool Insurance Account. Such ratings reflect only the views of such organizations; an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2013 Bonds. These ratings were established subsequent to SONYMA’s change in its procedures to now require that reserves established with respect to project primary insurance it provides be deposited to the Project Pool Insurance Account. The claims paying ability of the Development Corporation Credit Support Account has not been rated. The SONYMA Act provides that SONYMA may not execute a contract to provide credit support to the bonds or ancillary bond facilities of the CCDC if, at the time such contract is executed, such execution would impair any then existing credit rating of the Single Family Pool Insurance Account or the Project Pool Insurance Account.

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

Mortgage recording taxes have been collected in the State for more than 75 years. SONYMA has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State legislature is necessary for the SONYMA Mortgage Insurance Fund to continue to receive such monies. However, the State is not bound or obligated to impose, or to impose at current levels, the mortgage recording taxes described above or to direct the proceeds to SONYMA as currently provided. The SONYMA Mortgage Insurance Fund's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission is given general supervisory power over such officers. Tax receipts paid to the Mortgage Insurance Fund in calendar years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012 were approximately $83 million, $106 million, $131 million, $168 million, $184 million, $210 million, $140 million, $73 million, $64 million, $79 million, and $99 million, respectively. Through and including March 31, 2013, the tax receipts payable to the Mortgage Insurance Fund in calendar year 2013 were approximately $37 million. Tax receipts have fluctuated over the period they have been payable to the Mortgage Insurance Fund, due to changing conditions in the State's real estate market.

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

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

As of March 31, 2013, the amount of reserves (money or cash equivalents) in the Project Pool Insurance Account was $1,380,257,848 and the Mortgage Insurance Fund Requirement related to such Account was $728,328,606. Amounts on deposit in the Project Pool Insurance Account may be transferred to other accounts or withdrawn as described in the second preceding paragraph.

As of March 31, 2013, the SONYMA Mortgage Insurance Fund's total liability against project mortgage insurance commitments and policies in force was $3,282,488,520 and the SONYMA Mortgage Insurance Fund had a total loan amount on outstanding project mortgage insurance commitments and policies in force of $3,567,892,736.

As of March 31, 2013, the Project Pool Insurance Account had paid 66 project mortgage insurance claims for loss in the aggregate amount of $125,681,480. As of March 31, 2013, the SONYMA Mortgage Insurance Fund had 14 project mortgage insurance policies in force on which claims for loss had been submitted. SONYMA estimates that its total liability thereon is $27,432,423.

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

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

Copies of SONYMA's audited financial statements for the fiscal year ended October 31, 2012 are available from the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022, telephone (212) 688–4000.

SONYMA makes no representation as to the contents of this Official Statement (other than this section and "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS – SONYMA Mortgage Insurance Policy" herein), the suitability of the Series 2013 Bonds for any investor, the feasibility of any Project or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the Series 2013 Bonds.

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

The Current Enacted Budget of the State requires certain transfers of moneys from the MIF's Project Pool Insurance Account. (Each State fiscal year is for the twelve–month period from April 1 of a calendar year to and including March 31 in the next succeeding calendar year.) Each transfer requires a determination by SONYMA that, at the time of such transfer, the reserves remaining in the Project Pool Insurance Account are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Insurance Account. There can be no assurances as to what effect, if any, any such transfer may have on the then–current rating of the MIF's Project Pool Insurance Account by any rating agency.

Nine transfers will be made from the Project Pool Insurance Account in the aggregate amount of up to $164 million on or before March 31, 2014 as follows: one transfer of up to $104 million to the State general fund on or before March 31, 2014, one transfer of up to $17.582 million to the New York State Housing Finance Agency on or before March 31, 2014, and seven transfers to the Housing Trust Fund Corporation, the first three, in an aggregate amount of up to $32.418 million, on or before June 30, 2013 and the remaining four in an aggregate amount of up to $10 million, on or before March 31, 2014.

Similar provisions enacted as part of prior State Enacted Budgets resulted in transfers of $100 million from the Project Pool Insurance Account in both Fiscal Year 2012–2013 and Fiscal Year 2008–2009 (which transfers have been reflected in the Agency's financial statements).

State budget legislation in future years may provide for transfers from the Project Pool Insurance Account or other accounts in the MIF. SONYMA makes no representation regarding whether any such transfers, or the amounts thereof, will be enacted.

The SONYMA Act provides that no monies shall be withdrawn from any account within the SONYMA Mortgage Insurance Fund at any time in an amount which would cause the amount on deposit in such account, including the Project Pool Insurance Account, of such Fund to fall below its statutorily required reserves.

PART 4 – THE SERIES 2013 BONDS

Description of the Series 2013 Bonds

The Series 2013 Bonds will be issued pursuant to the Resolutions, will be dated their date of delivery, and will bear interest from such date (payable January 1, 2014 and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2013 Bonds will be issued as fully registered bonds. The Series 2013 Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The Series 2013 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book–Entry Only System. Purchases of beneficial interests in the Series 2013 Bonds will be made in book–entry form, without certificates. If at any time the Book–Entry Only System is discontinued for the Series 2013 Bonds, the Series 2013 Bonds will be exchangeable for other fully registered Series 2013 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book–Entry Only System" herein.

Interest on the Series 2013 Bonds will be payable by check mailed to the registered owners thereof. The principal or Redemption Price of the Series 2013 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent, or, for so long as the Series 2013 Bonds are no longer held in book–entry only form, at the option of the registered owner of at least $1,000,000 on principal amount of Series 2013 Bonds, by wire transfer to a designated wire address. As long as the Series 2013 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book–Entry Only System" herein.

For a more complete description of the Series 2013 Bonds, see "Appendix D – Summary of Certain Provisions of the Resolutions."

Redemption Provisions

Optional Redemption

The Series 2013 Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The Series 2013A Bonds maturing July 1, 2028 are subject to redemption, in part, through the application of Sinking Fund Installments upon notice given as prescribed in the Resolution on each July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount of the Series 2013A Bonds to be redeemed, plus accrued interest to the date of redemption. Subject to the provisions of the Series 2013A Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund

Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2013A Bonds on July 1 of each year the principal amount of Series 2013A Bonds specified for each of the years shown below:

Year	Amount
2024	$1,910,000
2025	2,000,000
2026	2,095,000
2027	2,195,000
2028†	2,295,000

† Maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2013A Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Series 2013A Debt Service Fund pursuant to the Resolutions, (B) purchased by the Institution or the Authority and delivered to the Trustee for cancellation or (C) deemed to have been paid in accordance with the Resolution. Series 2013A Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2013A Bonds so purchased payable on the next succeeding July 1. Series 2013A Bonds purchased by the Authority or the Institution (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolutions will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority shall specify in a written direction to the Trustee. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Installments of a Bondholder's Series 2013A Bonds of the maturity so purchased will be reduced for such year.

Extraordinary Mandatory Redemption

The Series 2013A Bonds are subject to extraordinary mandatory redemption, in whole or in part at any time prior to maturity, at 100% of the principal amount to be redeemed plus interest accrued to the redemption date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Facility.

Special Mandatory Redemption

The Series 2013 Bonds are subject to special mandatory redemption in whole or in part at any time prior to maturity at 100% of the principal amount to be redeemed plus interest accrued to the redemption date from the proceeds of a lump sum payment by SONYMA under the SONYMA Mortgage Insurance Policy received by the Authority in the event of a Covered Default by the Institution under the Mortgage.

Selection of Bonds to be Redeemed

In the case of a redemption of Series 2013 Bonds prior to maturity, Series 2013 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2013 Bonds to be redeemed. If less than all of the Series 2013 Bonds of a maturity are to be redeemed prior to maturity, the Series 2013 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2013 Bonds in the name of the Authority which notice shall be given by first–class mail, postage prepaid, not less than thirty (30) days nor more than forty–five (45) days prior to the redemption date to the registered owners of any Series 2013 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority, except that, with respect to any special mandatory redemption, such notice shall be given at least ten (10) days prior to the redemption date. Each notice of redemption, other than a notice of "Special Redemption", may state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2013 Bonds to be redeemed. The failure of any owner of a Series 2013 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2013 Bond.

If, on the redemption date, moneys for the redemption of the Series 2013 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2013 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2013 Bonds will no longer be considered to be Outstanding under the Resolutions.

For a description of the redemption and other provisions relating to the Series 2013 Bonds, see "Appendix D – Summary of Certain Provisions of the Resolutions."

Book–Entry Only System

DTC, New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully–registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered Series 2013 Bond will be issued for each maturity of each series of the Series 2013 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct and Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 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 in Series 2013 Bonds, except in the event that use of the book–entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 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 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 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. Beneficial Owners of Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution and other related documents. For example, Beneficial Owners of Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2013 Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive Series 2013 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry only transfers through DTC (or a successor securities depository). In that event, definitive Series 2013 Bonds will also be printed and delivered.

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

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

So long as Cede & Co. is the registered owner of the Series 2013 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, owners or registered owners of the Series 2013 Bonds (other than under the captions "PART 13 – TAX MATTERS" and in "PART 19 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2013 Bonds.

Principal and Interest Requirements for the Series 2013 Bonds

The following table sets forth the Loan Agreement payments required to be made by the Institution during each twelve–month period ending June 30 of the Bond Years shown for the payment of principal of and interest on the Series 2013 Bonds and the total debt service with respect to the Series 2013 Bonds.

12–Month Period Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2014	$1,240,000	$1,153,804	$2,393,804
2015	1,290,000	1,117,525	2,407,525
2016	1,340,000	1,065,925	2,405,925
2017	1,405,000	998,925	2,403,925
2018	1,480,000	928,675	2,408,675
2019	1,550,000	854,675	2,404,675
2020	1,630,000	777,175	2,407,175
2021	1,710,000	695,675	2,405,675
2022	1,795,000	610,175	2,405,175
2023	1,850,000	556,325	2,406,325
2024	1,910,000	498,513	2,408,513
2025	2,000,000	407,787	2,407,787
2026	2,095,000	312,788	2,407,788
2027	2,195,000	213,275	2,408,275
2028	2,295,000	109,012	2,404,012

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Series 2013A Bonds

Sources of Funds	
Principal Amount of Series 2013A Bonds	$25,510,000
Other Sources	1,397,289
Net Original Issue Premium	2,347,168
Total Sources	$29,254,457
Uses of Funds	
Deposit to Refunding Escrow	$26,208,968
Deposit to Construction Fund	1,250,000
Deposit to Series 2013A Debt Service Reserve Account	802,892
Costs of Issuance[(1)]	992,597
Total Uses	$29,254,457

Series 2013B Bonds

Sources of Funds	
Principal Amount of Series 2013B Bonds	$275,000
Original Issue Premium	1,628
Total Sources	$276,628
Uses of Funds	
Deposit to Series 2013B Debt Service Reserve Account	$ 93,034
Costs of Issuance[(1)]	183,594
Total Uses	$276,628

---

(1) Includes legal and accounting fees, initial Bond Registrar's and Paying Agent's fees, printing costs, underwriting discount, DASNY fee, the New York State Department of Health fee, title insurance, and other costs of issuance.

PART 6 – THE INSTITUTION

General

The Institution is a not–for–profit nursing home company incorporated on November 21, 1994 pursuant to the Not-For-Profit Corporation Law and Article 28A of the Public Health Law of the State of New York. Article 28A provides special regulatory powers and oversight responsibilities for nursing homes to the Commissioner of Health of the State of New York. The Institution owns and operates the Facility, which is located at the corner of Evergreen Avenue and Cedar Street in the Bushwick section of Brooklyn.

The Institution has suffered recurring losses and has a net deficiency which has contributed to the issuance of a "going concern" opinion in connection with its audited financial statements entitled "Audited Financial Statements (together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center, for the year ended December 31, 2012." See "PART 9 – BONDHOLDERS' RISKS - Uncertainty Regarding Going Concern of the Institution."

Licenses and Approvals

Department of Health: The Institution has been authorized by the New York State Department of Health, Office of Health Systems Management, to operate a nursing home and to provide various rehabilitation services.

The City of New York: The Project has received, or will receive prior to commencement of construction, all necessary zoning approvals from The City of New York.

Governance

The Board of Directors of the Institution is currently comprised of eight members. The number of directors may be no less than three nor more than 35; one additional director may be designated by the Commissioner of the Department of Health. Each member of the board serves a term of office until the next annual meeting. Each director holds office until the expiration of the term for which he or she has been elected and until his or her successor has been elected and qualified, or until his or her prior resignation or removal.

Board of Directors

The current members of the Board of Directors and the officers of the Institution are:

Name and Office Held	Principal Occupation	Expiration of Term
James D. Cameron, *Chairman*	President and CEO Ridgewood Bushwick Senior Citizen Council	March 2014
Emily Kurtz, *Secretary*	Deputy Director for Housing	March 2014
Elena Zullo, *Treasurer*	Assistant Executive for Youth and Educational Services	March 2014
Honorable Wayne Saitta, *Director*	N.Y. State Supreme Court Justice	March 2014
Sonia Rivera, *Director*	Property Manager	March 2016
Honorable Richard Velasquez, *Director*	N. Y. State Supreme Court Justice	March 2016
Barbara Ortiz, *Director*	Business Women	March 2014
Avellar Hansley, *Director*	Community Resident	March 2016

Executive Staff

Chairman of the Board of Directors

James D. Cameron currently serves as President and Chief Executive Officer of the Ridgewood Bushwick Senior Citizens Center ("RBSCC"), which has been the sole Member of the Institution since 2012. Before serving in his current positions, he served as the Chief Operating Officer for RBSCC. Prior to joining at RBSCC in 2011, Mr. Cameron held the position of President and Chief Executive Officer of the Institution from 2008.

Mr. Cameron has over 30 years of experience at the chief executive officer level and above of a number of not-for-profit skilled nursing facilities. Mr. Cameron has an MBA from the State University of New York at Albany and received his BA from Fordham University. Mr. Cameron also serves on the boards of several other not-for-profit facilities. Mr. Cameron has been a New York State Licensed Nursing Home Administrator since 1977 and is a retired Colonel from the United States Army.

Chief Executive Officer, President and Administrator

Barbara McFadden has served the Institution as Chief Executive Officer and President since 2012 and as Administrator since 2011. Ms. McFadden joined the Institution in 2003 and has served as Senior Vice President of Resident Care Services and Director of Nursing. Ms. McFadden has been a New York State Licensed Nursing Home Administrator since 2011.

Ms. McFadden currently serves as Chair of the Board of Directors for the Moffatt Gardens Assisted Living Program. Ms. McFadden has 40 years of managerial and executive experience in the field of health care. She has served on hospital boards; is a member of Molloy College, Rockville Centre advisory board and several community not–for–profit organizations. Ms. McFadden is a registered nurse and has a BS from Hunter College and a MS in Health Administration from Central Michigan University.

Chief Financial Officer

Edwin Effune joined Buena Vida Continuing Care & Rehabilitation Center in January 2007 as Vice President of Finance. Prior to joining Buena Vida, Mr. Effune served as Chief Financial Officer and Director of Finance for a number of other nursing facilities in both the for-profit and not-for-profit environment. In addition to his service as a senior finance officer at these facilities, he has worked as a Senior Project Manager for a national software developer specializing in providing software to the long–term healthcare field. Mr. Effune has over twenty years' experience in the long–term healthcare field.

Prior to entering the long term health environment, Mr. Effune worked as a senior auditor for one of the larger national auditing and accounting firms in New York. Mr. Effune has degrees in accounting and commerce from the University of Cape Town, South Africa as well as the University of South Africa.

Regulation and Supervision of Residential Health Care Facilities

The Institution is a not-for-profit nursing home company incorporated pursuant to the Not-For-Profit Corporation Law and Article 28A of the Public Health Law of the State of New York. Article 28A provides special regulatory powers and oversight responsibilities for nursing homes to the Commissioner of Health of the State of New York (the "Commissioner"). The Facility is a residential health care facility for purposes of Article 28A of the Public Health Law of the State of New York. Residential health care facilities to which the Authority may make loans and the projects which they construct and operate are, in certain respects, regulated by law and, in other respects, subject to supervision and regulation of the Commissioner and the New York State Department of Health during the period that the Authority's loan is outstanding. All applicable regulations are subject to change from time to time.

The Public Health Law of the State of New York (hereinafter the "Hospital Mortgage Loan Construction Law") regulates residential health care facilities which enter into loans with the Authority. The Hospital Mortgage Loan Construction law requires that all income and earnings of residential health care facilities be used exclusively for its corporate purposes; restricts the sale, encumbrance of other transfer of the real property or other assets mortgaged to the Authority; provides that no part of the net income or earnings of residential health care facilities inure to the benefit or profit of any private individual, firm or corporation, requires the filing of annual financial reports by residential health care facilities with the Commissioner and regulates the issuance of notes, bonds, debentures and other obligations of residential health care facilities.

The Commissioner, in the supervision and regulation of residential health care facilities may from time to time make, amend and repeal rules and regulations for carrying into effect the provisions of the Hospital Mortgage Loan Construction Law. In addition, the Commissioner may, with respect to the residential health care facilities, take appropriate action in the New York State Supreme Court for the purpose of having violations or threatened violations of law stopped or prevented, or for the appointment of a receiver of residential health care facilities.

Summary of Programs and Services

The Institution is rated by the Centers for Medicare and Medicaid as a 5 Star skilled nursing facility. In addition it has been rated as one of the Best Nursing Homes in the New York City Area for 2012 and 2013 by US News and World Report. The Institution had been compared with similar facilities across the nation before earning this designation. The Institution has a solid foundation of policies and procedures, adequate staffing levels, and committed professional staff. Recent innovations such as the electronic medical records, successful treatment and reduction in pressure ulcers, and participation in new initiatives are examples of how the Institution continues to make strides to stay on the cutting edge of gerontological care. The Institution is the only facility in Brooklyn currently participating in a pilot project sponsored by CMS to treat residents in the nursing home to reduce avoidable hospitalizations. The Facility has a forty (40) bed dementia care unit staffed by specialized nurses and certified nursing assistants (CNAs). A family dementia support group meets on a bi–monthly basis.

Skilled, restorative and custodial care nursing services are provided twenty–four hours per day seven days per week. Respite care is also available. Nursing care is provided by registered nurses many with Bachelor’s Degrees and licensed practical nurses along with CNAs. Experienced administrative nurses provide oversight for direct care. Several have Masters Degrees, while others are certified in specialties relative to geriatric care.

The medical services are under the direction of a medical director who is board certified in Internal Medicine, Palliative Care and Geriatrics. In addition, a board certified physician group and a board certified nurse practitioner provide around–the–clock services. Concomitantly, consultative services are offered in the following specialties: wound care; podiatry; ophthalmology; dental; gynecology; psychology. Care for the terminally ill residents is provided in collaboration with hospice and palliative care services. These programs are sensitive to the special needs of those at the end of life and their families including coping and bereavement counseling.

Sub–acute/Rehabilitation Services include state of the art equipment and individualized programs for joint replacements, stroke, prosthetic care and reconditioning. The rehabilitation program is directed by a dedicated team of occupational and physical therapists, speech therapists and an audiologist. Services are provided six (6) days per week.

Social Work Services offers an experienced team of social workers who act as advocates and counselors for residents and their respective families. They are knowledgeable about resident entitlement and eligibility. Many are bi–lingual in English and Spanish. In addition, they offer support and care management for discharge planning in order to assist in making a smooth transition from home to the facility or vice versa

The Facility’s Food and Nutrition Services produce approximately four thousand six hundred (4,600) meals and dispense two–hundred and eighty (280) enteral feedings per week. Meals are served in six (6) spacious sun–filled rooms. In addition, residents are offered a variety of nutritional and culturally appropriate meals. Residents are included in menu planning. An experienced food service director, dieticians, a culinary trained chef, food service managers, cooks and food service aides make up a team that “translates love into food.”

Therapeutic Recreation Program offers individualized programs to meet the resident and family’s well–being through social, cultural, physical and spiritual activities. Two new programs are of particular note: StoryCorps Legacy Program and Music and Memory Individualized Program.

StoryCorps Legacy is a program that provides people with a serious illness and their families the opportunity to record, preserve and share their stories. StoryCorps is an independent nonprofit organization whose mission is to provide people of all backgrounds and beliefs with the opportunity to record, share, and preserve the stories of their lives. A copy of the recording is given to the resident/family. Another copy is archived at the American Folklife Center at the US Library of Congress.

The Music and Memory Individualized music program provides a sensory modality for those Residents that are unable to self–initiate leisure pursuits due to a wide range of cognitive and physical limitations, and enables the Institution to focus on person–centered care. This program works well with residents with mid– and late–stage Alzheimer's, multiple sclerosis, aphasia, depression and Parkinson's and is equally as important, for those Residents with psychosocial issues, and for pain management.

Employees

As of May 1, 2013, the Facility has two hundred and twenty–two (222) full–time employees, one–hundred twelve (112) part–time employees and seven (7) contracted employees. There are also five (5) full–time attending physicians who treat patients at the Facility. In addition, the Facility serves as a clinical rotation site for The Brooklyn Hospital Center through the Family Medicine Residency Program. The Facility also serves as a clinical site or field placement assignment for other allied health professions such as nursing, rehabilitation, and art therapy.

Labor Relations

Excluding management employees and contracted services, the Institution's non–physician employees are members of 1199SEIU United Healthcare Workers EAST ("1199"). The Institution and 1199 are parties to a Collective Bargaining Agreement dated June 1, 2009, which expires on April 30, 2015 (the "CBA"). The CBA sets terms and conditions for wages, among other matters. Senior Managers of the Institution and the 1199 Organizer and 1199 On–site Delegate meet periodically to discuss program updates and/or discuss employee concerns.

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

Service Area

The Institution primarily serves the culturally diverse communities of Brooklyn and Queens, New York. While the residents come from many sources, three hospitals are a major source of referrals – Wyckoff Heights Medical Center, The Brooklyn Hospital, and Woodhull Hospital, all located in Brooklyn, New York.

Rates and Charges

Set forth below are the room rates in effect during fiscal year 2012 at the Facility:

Reimbursement Rate Per Room	Daily Rate
Private Pay	$365
Medicaid	252
Medicare	530

Historical Utilization

The following table sets forth various utilization statistics for the Facility for the past five fiscal years and for the three months ended March 31, 2012 and 2013.

	Years Ended December 31,					Three–Month Periods Ended March 31,	
	2008	**2009**	**2010**	**2011**	**2012**	**2012**	**2013**
Licensed Beds	240	240	240	240	240	240	240
Available Days of Care	87,840	87,600	87,600	87,600	87,840	21,840	21,600
Resident Days	85,195	85,791	84,607	84,787	85,956	21,404	20,962
Occupancy Rate (%)	96.99%	97.93%	96.58%	96.79%	97.86%	98.00%	97.05%
Admissions	669	671	677	731	583	124	152

Insurance

Medical Professional Liability Insurance

Since 2011, the Institution has maintained a Medical Professional Policy with Columbia Casualty Company ("Columbia"). The Columbia policy is on an "occurrence" basis and provides limits of $1,000,000 per claim with a $3,000,000 annual aggregate. The Institution has maintained occurrence based coverage with carriers other than Columbia since 2001.

Other Insurance

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

Litigation

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

Accounting System and Policies

The Accounting practices and policies of the Institution conform to generally accepted accounting principles. The Institution has suffered recurring losses and has a net deficiency which has contributed to the issuance of a "going concern" opinion in connection with its audited financial statements entitled "Audited Financial Statements (together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center, for the year ended December 31, 2012." See "PART 9 – BONDHOLDERS' RISKS - Uncertainty Regarding Going Concern of the Institution."

Historical and Pro Forma Capital Structure

Set forth below is an historical, comparative summary of the capital structure of the Institution as of the end of its past five fiscal years and for the three months ended March 31, 2013. The information in the following table has been extracted from audited financial statements of the Institution for the years ended December 31, 2008 to 2012 and from unaudited interim financial statements of the Institution for the three–month period ended March 31,

2013. Although the information for the past five fiscal years was taken from audited financial statements, no representation is made that the information is comparable from year to year, or that the information as shown taken by itself presents fairly the capital structure of the Institution as of the end of the years shown. The unaudited interim amounts reflected below are not necessarily indicative of the amounts that will be outstanding as of the end of the full fiscal year. For more complete information, reference is made to the financial statements from which this information was extracted, copies of which are available from Digital Assurance Certification LLC ("DAC"). See "PART 19 – CONTINUING DISCLOSURE."

Historical Capital Structure[1]

	Years Ended December 31 (Audited)					Amount Outstanding as of March 31, 2013 (Unaudited)
	2008	2009	2010	2011	2012	
Current liabilities:						
Mortgage payable, current portion	$ 940,000	$ 985,000	$ 1,035,000	$ 1,085,000	$ 1,140,000	$ 1,140,000
Due to third party payors, current portion	525,144	---	545,395	1,085,000	782,872	483,665
Accounts payable and accrued expenses	1,913,717	2,297,349	2,371,978	2,605,339	2,800,444	2,688,938
Accrued compensation and related costs	724,870	857,660	937,914	1,001,605	1,220,341	1,377,466
Resident funds	274,201	322,957	323,506	306,074	285,947	280,297
Total Current Liabilities	4,377,932	4,462,966	5,213,793	6,083,018	6,229,604	5,970,366
Long–Term Liabilities:						
Mortgage payable, net of current portion	30,059,888	29,099,605	28,090,539	27,030,453	25,914,150	25,908,582
Due to third party payors, net of current portion	394,420	1,779,296	1,660,733	2,555,953	1,846,986	1,847,317
Total Long–Term Liabilities	30,454,308	30,878,901	29,751,272	29,586,406	27,761,136	27,755,899
Total Liabilities	34,832,240	35,341,867	34,965,065	35,669,424	33,990,740	33,726,265
Net Assets (Deficit)						
Unrestricted	1,743,250	(139,255)	(1,261,329)	(4,155,273)	(5,898,056)	(6,503,472)
Total Net Assets (Deficit)	1,743,250	(139,255)	(1,261,329)	(4,155,273)	(5,898,056)	(6,503,472)
Total Liabilities and Net Assets	$36,575,490	$35,202,612	$33,703,736	$31,514,151	$28,092,684	$27,222,793
Ratio of Long–Term Debt to Net Assets	1,746.98%	(22,174.36)%	(2,358.72)%	(712.02)%	(470.68)%	(426.79)%
Long–Term Debt as a Percentage of Total Liabilities and Net Assets	83.26%	87.72%	88.27%	93.88%	98.82%	101.96%

1 Beginning in fiscal year 2011, the Institution recategorized certain balance sheet items, so certain of the categories shown for fiscal year 2008 through 2010 have been recategorized for this table by the Institution to facilitate comparison to fiscal years 2011 and 2012.

Set forth below is the unaudited pro forma capital structure of the Institution as of March 31, 2013, determined by the application of pro forma adjustments to the unaudited actual amounts outstanding as of March 31, 2013, which assume that the Series 2013 Bonds were issued on March 31, 2013 and that the Refunded Bonds were refunded and defeased on March 31, 2013.

Unaudited Pro Forma Capital Structure

	Amount Outstanding as of March 31, 2013
Current liabilities:	
Mortgage payable, current portion	$ 1,140,000
Due to third party payors, current portion	483,665
Accounts payable and accrued expenses	2,688,938
Accrued compensation and related costs	1,377,466
Resident funds	280,297
Total Current Liabilities	5,970,366
Long–Term Liabilities:	
Mortgage payable, net of current portion	25,623,582
Due to third party payors, net of current portion	1,847,317
Total Long–Term Liabilities	27,470,899
Total Liabilities	33,441,265
Net Assets (Deficit)	
Unrestricted	(6,503,472)
Total Net Assets (Deficit)	(6,503,472)
Total Liabilities and Net Assets	$26,937,793
Ratio of Long–Term Debt to Net Assets	(422.40)%
Long–Term Debt as a Percentage of Total Liabilities and Net Assets	101.98%

Summary of Historical Revenues and Expenses

Set forth below is a historical, comparative summary of the revenues, expenditures, and changes in net assets, of the Institution for the past five fiscal years. Information in the following table for fiscal years 2008 to 2012 has been extracted from audited financial statements of the Institution for the years ended December 31, 2008 to 2012 and from unaudited interim financial statements of the Institution for the three–month periods ended March 31, 2012 and 2013. Although taken from audited financial statements (in the case of the information shown for fiscal years 2008 to 2012 only), no representation is made that the information is comparable from year to year, or that the information as shown taken by itself presents fairly the financial condition of the Institution for the fiscal years shown. For more complete information, reference is made to the audited financial statements for fiscal years 2008 to 2012 and to the unaudited financial information for the three–month periods ended March 31, 2012 and 2013, copies of which are available from DAC. See "PART 19 – CONTINUING DISCLOSURE." The interim amounts reflected below are not necessarily indicative of the financial results that will be achieved for the full fiscal year. The summary should be read in conjunction with the audited financial statements and related notes to the financial statements of the Institution and the reports of the independent auditors included in Appendices B-1 and B-2.

[Remainder of Page Intentionally Left Blank]

Summary of Institution's Historical Revenues And Expenses

	Years Ended December 31 (Audited)					Three Months Ended March 31 (Unaudited)	
	2008	2009	2010	2011	2012	2012	2013
Operating Revenue							
Net patient service revenue	$27,024,693	$25,707,958	$26,403,927	$25,206,435	$25,545,839	$6,151,832	$6,087,261
Other revenues	239,386	56,200	27,357	82,632	179,709	34,461	59,383
Total Revenues	27,264,079	25,764,158	26,431,284	25,289,067	25,725,548	6,186,293	6,146,644
Operating Expenses							
Salaries	12,501,320	12,683,728	12,557,861	12,773,324	12,593,147	3,072,177	3,078,785
Employee benefits	4,333,033	4,912,453	5,246,393	5,617,263	5,485,997	1,321,293	1,375,620
Supplies and other expenses	5,884,240	5,236,586	4,927,467	4,974,418	4,786,639	1,163,994	1,195,244
Depreciation and amortization	1,834,035	1,855,626	1,880,726	1,703,844	1,622,723	399,347	404,311
Interest expense	1,791,601	1,747,157	1,690,991	1,751,421	1,586,719	399,419	385,081
Provision for bad debts	219,849	140,287	114,031	150,000	150,000	37,500	37,500
New York State cash receipts assessment	1,231,433	1,266,028	1,243,285	1,288,764	1,350,643	321,050	317,556
Total Expenditures	27,795,511	27,841,865	27,660,754	28,259,034	27,575,868	6,714,780	6,794,097
Excess (Deficiency) of Operating Revenues Over (Under) Expenses	(531,432)	(2,077,707)	(1,229,470)	(2,969,967)	(1,850,320)	(582,487)	(647,453)
Other Nonoperating Income							
Interest Income	157,615	195,202	107,396	76,023	107,537	18,252	9,258
Change in Unrestricted Net Assets (Deficit)	(373,817)	(1,882,505)	(1,122,074)	(2,893,944)	(1,742,783)	(510,235)	(638,195)
Net Assets (Deficit)							
Beginning of Period	2,117,067	1,743,250	(139,255)	(1,261,329)	(4,155,273)	(4,155,273)	(5,898,056)
End of Period	$ 1,743,250	$ (139,255)	$ (1,261,329)	$ (4,155,273)	$ (5,898,056)	$(4,665,508)	$(6,536,251)

[1] The Institution recategorized certain expense items, so certain of the expense categories shown for fiscal years 2008 through 2011 have been recategorized for this table by the Institution to facilitate comparison to fiscal year 2012.

Uncertainty Regarding Going Concern of the Institution

The Institution's audited financial statements as of December 31, 2012 includes the statement in the auditor's report that the Institution has suffered recurring losses and has a net deficiency that raises substantial doubt about its ability to continue as a going concern. Note 3, Management's Discussion of Current Economic Environment and Plan to Improve Results of Operations (Unaudited), to the financial statements states that for the year ended December 31, 2012, the Institution had an operating loss of approximately $1.7 million after depreciation and amortization, a net asset deficiency of $5.9 million, and continued to experience liquidity shortfalls and operating losses. See "Appendix B-1 – Audited Financial Statements (together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center, for the year ended December 31, 2012" for a description of the Institution's financial condition as of December 31, 2012 and see Note 3 therein for management's discussion of the current economic environment and the plan to improve results of operations (unaudited).

Management's Discussion of Financial Performance:

For the fiscal year ended December 31, 2008, the Institution had an operating loss of approximately $374,000 (after depreciation & amortization) and net assets of $1,743,000, after the Institution recategorized certain revenue and expense categories to facilitate comparison to the 2011 and 2012 audited financial statements. The deficit was primarily due to union contractual salary and benefit increases. There was also a small increase in the cost of staffing due to the higher level of acuity. Effective July 2008, the Institution terminated its contract with Evercare, a managed Medicare HMO, which resulted in lower reimbursement. Occupancy was also lower than in fiscal year 2007.

For the fiscal year ended December 31, 2009, the Institution had an operating loss of approximately $1,883,000 (after depreciation & amortization) and net asset deficit of $139,000, after the Institution recategorized certain revenue and expense categories to facilitate comparison to the 2011 and 2012 audited financial statements. This was the first full year of lower reimbursement as result of the ending of the Evercare managed care contract. In addition, the Institution participated in a Workers Compensation Trust which in prior years had refunded a portion of the Institution's premiums, but in 2009 charged the Institution a retroactive premium increase of almost $433,000, pertaining to prior years' claims. In addition, there were contractual union salary increases with a corresponding increase in benefits expense, as well as increases in the non-union health insurance premiums. There also were increases in other expenses such as utilities and liability insurance.

For the fiscal year ended December 31, 2010, the Institution had an operating loss of approximately $1,122,000 (after depreciation & amortization) and net asset deficit of $1,261,000, after the Institution recategorized certain revenue and expense categories to facilitate comparison to the 2011 and 2012 audited financial statements. Medicaid revenue had decreased as a result of the New York State Department of Health ("DOH") implementation of a Medicaid only case mix index as well as using Medicare's Resource Utilization Group's ("RUGS") methodology for determining reimbursement rates. In addition, the Medicaid trend factor increase (inflationary factor) was eliminated from the Institution's Medicaid rate. The Institution received a retroactive premium charge of approximately $333,000 resulting from the Institution's participation in a Workers Compensation trust.

For the fiscal year ended December 31, 2011, the Institution had an operating loss of approximately $2,894,000 (after depreciation & amortization) and net asset deficit of $4,155,000. The Institution changed auditors and there was a change in accounting methodology resulting in an adjustment to the opening net assets of the Institution rolled back to 2008. The Institution was retroactively charged for its participation in the Workers Compensation trust in the amount of $265,000. Medicaid revenue was reduced due to the implementation of the regional pricing methodology by the DOH, in addition to the elimination of the trend factor increase. The Institution had its 2006 Patient Review Instrument submission (which is used in Medicaid rate setting) reviewed by the New York State Office of the Medicaid Inspector General ("OMIG") and based on the preliminary results of their findings, OMIG determined that the full potential liability of $472,000 needed to be recorded in the Institution's 2011 audited financial statements. The Institution has contested some of OMIG's findings. Salaries increased due to a change in management structure. Due to union contract obligations, salaries and benefits increased disproportionately to the change in revenue.

For the fiscal year ended December 31, 2012, the Institution had an operating loss of approximately $1,743,000 (after depreciation & amortization) and net asset deficit of $5,898,000. Investment income was reduced due to lower cash balances as well as lower interest rates. Revenue increased when compared to 2011 in part due to the Institution implementing an Electronic Medical Record System in the latter part of 2011. This has had the effect of more comprehensively capturing resident data and facilitating an increase in revenue. In addition, due to the greater efficiencies of the system, the Institution has been able to eliminate certain clerical positions as well as better manage and control its pharmacy expense. Management had tighter control over expenditures when compared to 2011, with reductions in total operational expenses of approximately $683,200 when compared to 2011.

For the three months ended March 31, 2013, the Institution had an operating loss of approximately $638,000 (after depreciation & amortization) and net asset deficit of $6,536,276. This was larger than the budgeted deficit because certain management initiatives that were included in the 2013 budget did not take effect until late April 2013. Occupancy rate was 97%, which was in line with the budget, and revenue was $30,000 above budget. Overall expenditures were 1.61% above the budgeted expenditures. The Institution expects that expenditures will be in line with the budgeted amounts as the year progresses, primarily due to staff reductions that occurred in late April.

Operating Budget

Set forth below is a summary of the Institution's budget for the year ending December 31, 2013. The staff of the Institution uses the accrual basis of accounting in its annual operating budget, which is consistent with the basis of accounting used in the Institution's financial statements.

This budget is based upon certain assumptions and estimates of the staff of the Institution regarding future events, transactions, and circumstances. Realization of the results projected in this budget will depend upon implementation by management of the Institution of policies and procedures consistent with the assumptions. There can be no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions, or that the projected results will be achieved. Accordingly, the actual results achieved could materially vary from those projected in the budget set forth below.

Institution Budget for Year Ending December 31, 2013

Operating Revenue	
Net patient service revenue	$24,634,883
Other revenues	249,000
Total Revenues	24,883,883
Operating Expenses	
Salaries	12,164,377
Employee benefits	5,827,500
Supplies and other expenses	4,766,780
Depreciation and amortization	1,714,000
Interest expense	1,381,000
Provision for bad debts	150,000
New York State cash receipt assessment	1,145,627
Total Expenditures	27,149,284
Excess (Deficiency) of Operating Revenues Over (Under) Expenses	(2,265,401)
Other Nonoperating Income	
Interest Income	71,000
Change in Unrestricted Net Assets (Deficit)	$ (2,194,401)

Outstanding Indebtedness

As of March 31, 2013, the Institution's total outstanding long-term indebtedness was $27,755,899, of which $25,908,582 constituted the Institution's loan agreement obligation (which secures the Refunded Bonds) and $1,847,317 constituted long-term liabilities due to third-party payors. As of March 31, 2013, the Institution's total outstanding short-term indebtedness was $5,970,366.

[Remainder of Page Intentionally Left Blank]

Sources of Patient Revenue

The major portion of revenue received by the Institution is derived from third party payors. The Institution is a provider under the Medicaid and Medicare programs and also receives payments from commercial insurance plans and health maintenance organizations. The following tables show the percentage of distribution of total billable days, total revenue and aggregate patient revenue by payor source for the past five fiscal years and for the three months ended March 31, 2012 and 2013.

Percent of Total Billable Days by Payor Source

	Years Ended December 31,					Three–Month Periods Ended March 31,	
Payor	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**	**2013**
Medicare	9.67%	8.75	7.99%	8.65%	7.18%	6.96%	6.61%
Medicaid	79.84	84.13	84.07	81.84	83.23	83.65	79.83
Managed Care/HMOs	8.69	6.29	7.27	8.97	9.17	9.30	11.22
Private and Hospice	1.80	0.83	0.67	0.54	0.42	0.09	2.34
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Percent of Total Revenue by Payor Source

	Years Ended December 31,					Three–Month Periods Ended March 31,	
Payor	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**	**2013**
Medicare	13.34%	13.07%	12.74%	15.94%	13.88%	14.02%	12.87%
Medicaid	75.54	78.93	78.92	73.47	76.12	76.32	72.01
Managed Care/HMOs	9.59	6.99	7.67	10.07	9.73	9.56	12.98
Private and Hospice	1.53	1.00	0.66	0.52	0.27	0.10	2.14
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Aggregate Patient Revenue by Payor Source

	Years Ended December 31 (Audited)					(Unaudited) Three–Month Periods Ended March 31,	
Payor	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**	**2013**
Medicare	$ 3,604,150	$ 3,360,935	$ 3,364,241	$ 4,018,075	$ 3,546,743	$ 862,202	$ 783,310
Medicaid	20,414,578	20,292,161	20,839,142	18,518,681	19,445,065	4,695,233	4,383,519
Managed Care/HMOs	2,591,576	1,797,043	2,024,986	2,537,384	2,484,983	588,360	790,311
Private and Hospice	414,389	257,819	175,558	132,295	69,048	6,037	130,121
Total	$27,024,693	$25,707,958	$26,403,927	$25,206,435	$25,545,839	$6,151,832	$6,087,261

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

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

General

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

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

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

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

Federal Healthcare Reform

In November and December 2009, respectively, the United States Senate (the "Senate") and the United States House of Representatives (the "House") each passed their own versions of health care reform legislation. On March 21, 2010, the House passed H.R. 3590, the Patient Protection and Affordable Care Act (the "PPACA"), a Senate–approved health reform bill and a companion amendment bill (the "Reconciliation Bill") that was approved by the House and Senate on March 25, 2010. The PPACA was signed into law by President Obama on March 23, 2010, and he signed the Reconciliation Bill into law on March 30, 2010. The PPACA and Reconciliation Bill shall be referred to herein collectively as the "ACA". On June 28, 2012, the Supreme Court of the United States, in *National Federation of Independent Business v. Sebelius*, No. 11–393, upheld the vast majority of the ACA's provisions.

A significant component of the ACA is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents. One of the primary drivers of the ACA is to provide or make available, or subsidize the premium costs of health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels. Among its numerous provisions, the ACA includes the following reforms: (1) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates; (2) establishing health insurance purchasing exchanges in which individuals and small employers can purchase health care insurance; (3) establishment of insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre–existing conditions and elimination of lifetime or annual cost caps; (4) modifying how hospitals, physicians and other health care providers are paid; and (5) evaluating hospitals, physicians and other health care providers on a variety of quality and efficacy standards to support pay–for–performance systems. The Congressional Budget Office has projected that the ACA will decrease the number of uninsured Americans by approximately 30 million. Some provisions of the ACA took effect immediately, but others will not take effect until 2014, or even 2018. The ACA is complex and comprehensive, and includes myriad new programs and initiatives and changes to existing programs, policies, practices and laws.

The ACA expands national health care coverage and access, creates demonstration projects related to cost containment and improved outcomes, and implements a number of payment adjustments in the Medicare and Medicaid programs. Implementation of much of the coverage and access provisions of the ACA falls to the States. Accordingly, the impact will vary greatly by state and remains difficult to predict at this time. In New York State, coverage expansion is expected to be limited, given the State's expansive Medicaid eligibility levels and coverage availability through the Children Health Plus ("CHP") and the Family Health Plus ("FHP") programs. However, it is expected that some people currently eligible for Medicaid, but not enrolled, may choose to enroll. Additionally, the Governor's proposed budget for the state year ending March 31, 2014 would phase out FHP and transition enrollees to state subsidized coverage through the health insurance exchange or Medicaid.

While the specific impacts of many aspects of the ACA cannot be predicted, it is clear that its implementation will increase pressure on healthcare providers to "bend the cost curve" and increase efficiency and effectiveness. The ACA changes to Medicare and Medicaid reimbursement are discussed below.

Some of the specific provisions of the ACA that may affect the Institution's operations, financial performance or financial condition include the following (this listing is not, is not intended to be, nor should be considered to be comprehensive):

(1) With varying effective dates, the annual Medicare market basket updates for many providers, including skilled nursing providers like the Institution, would be reduced, and adjustments to payment for expected productivity gains would be implemented.

(2) With varying effective dates, the ACA mandates a reduction of waste, fraud and abuse in public programs by allowing provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The legislation requires the development of a database to capture and share healthcare provider data across federal healthcare programs and also provides for increased penalties for fraud and abuse violations, and increased funding for anti–fraud activities.

(3) Providers may also be subject to reduced reimbursement as a result of the recommendations of the Medicare Independent Payment Advisory Board ("MIPAB"), whose mandate is to reduce Medicare cost growth. The MIPAB's recommended reductions, beginning in 2014, will be implemented automatically unless Congress adopts alternative legislation that meets equivalent savings targets. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. The Institution's Medicare and other revenues may be affected by these provisions.

(4) The ACA is expected to fund various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of their being made permanent or expanded or their effect on healthcare organizations' revenues or financial performance, cannot be predicted.

(5) The ACA also required all nursing facilities and skilled nursing facilities to operate by March 23, 2013, a compliance and ethics program, containing at least eight components, to prevent and detect criminal, civil and administrative violations and promote quality of care. To date, CMS has not released final regulations regarding the required elements of nursing facility compliance programs, although the statutory requirement requires such

compliance programs to be in place by March 23, 2013 regardless of whether regulations are released. Based on a state survey completed on February 28, 2013, the Institution believes it has in place and is operating a compliance plan that satisfies the ACA statutory requirements.

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

(7) The ACA also includes The Elder Justice Act which provides funding for adult protective services aimed at elder abuse prevention and enhanced investigation of elder abuse and neglect. The Elder Justice Act requires prompt reporting to the DHHS by long–term care facilities who receive at least $10,000 per year in federal funds of any reasonable suspicion of a crime, as defined by local law, occurring at the long–term care facility. This includes Medicare/Medicaid fraud and abuse. Reports are required to be made not later than two hours after forming the suspicion when serious physical injury occurs, and not later than 24 hours after forming suspicion where serious bodily injury was not involved. "Serious bodily injury" is not defined by the Elder Justice Act. Failure to report is subject to penalties up to $200,000 plus potential exclusion from federal programs. Stricter penalties apply if delay led to further injury.

(8) The ACA also includes the Patient Safety and Abuse Prevention Act which authorizes DHHS to create a national program to identify best practices for background checks on long–term care facility employees who have direct access to patients. The Patient Safety and Abuse Prevention Act creates grants for states who wish to participate in the creation of a nationwide program.

Federal Deficit Reduction

National impetus for reducing the federal deficit has increased significantly in recent years, with controlling federal healthcare costs perennially identified as a major objective of deficit reduction proponents. As a result, a number of lawmakers and stakeholders have developed a variety of proposals for Medicare and Medicaid reductions that have become an integral part of the national deficit reduction debate. Many of these proposals, if adopted, would result in revenue reductions for the Institution.

The Budget Control Act of 2011 was enacted as an agreement to raise the federal debt limit while ensuring deficit reduction. The Act created a bipartisan "super committee" to develop a proposal for deficit savings over a 10 year period. If Congress failed to enact super committee recommendations achieving at least $1.2 trillion in deficit savings by January 1, 2013, up to $1.2 trillion of across the board reductions known as the "sequester" would be triggered. The sequester reductions would be evenly shared between defense and non–defense programs, however, Medicaid would be exempt and Medicare reductions would be capped at two percent. The super committee was not able to reach agreement and produce a package of recommendations.

As the end of 2012 approached, the looming imposition of the sequester together with the scheduled expirations of temporary tax reductions, extended unemployment insurance, and the Physician Fix collectively became known as the Fiscal Cliff. The American Taxpayer Relief Act was enacted to prevent "going over" the Fiscal Cliff. The law delayed the sequester for two months, froze physician fees through December 2013, extended the ACA's Medicare Disproportionate Share Hospital ("DSH") reductions to the federal year ending September 30, 2022, reduced hospital Medicare rates by an average of 2.4 percent from 2014 through 2017 and implemented other targeted Medicare payment reductions. In addition, Congress acted in January 2013 to suspend application of the federal debt limit until May 19, 2013.

As a result of the short term deferrals of the sequester and debt limit, expiration of the Continuing Resolution funding the federal government on March 27, 2013, and expiration of the "Physician Fix" on December 31, 2013, there are a series of new Fiscal Cliffs anticipated in 2013 that will likely revive proposals for significant reductions to Medicare and Medicaid.

The sequester took effect March 1, 2013 and resulted in a two percent reduction in Medicare payments generally beginning April 1, 2013. However, the Institution has projected that its Medicare revenue for its fiscal year ending December 31, 2013 will not be significantly reduced by virtue of this initial sequester reduction in Medicare payments. Continuing negotiations to modify or mitigate the sequester reductions, as well as expiration of the Continuing Resolution funding the federal government on March 27, 2013, resumption of debt limit enforcement on May 19, 2013, and expiration of the "Physician Fix" on December 31, 2013, present several opportunities over the next year to revive proposals for significant reductions to Medicare and Medicaid.

Medicare Nursing Home Reimbursement

The Institution participates in the Medicare program, which accounted for approximately 13.88% of its annual payor revenues for the year ended December 31, 2012. Health care providers like the Institution may participate in Medicare, subject to certain conditions established by the Centers for Medicare and Medicaid Services ("CMS"), the federal agency that administers the Medicare program, and upon acceptance of a provider agreement by the Secretary of the Department of Health and Human Services ("DHHS"). As of July 1, 1998, skilled nursing facilities ("SNFs") became reimbursed based on a Prospective Payment System ("PPS"), and SNFs are paid a single per diem rate per resident according to the RUG to which the patient is assigned. The federal PPS rate is developed using the SNF market basket index, standardized for facility differences in case–mix and for geographic variations of wages. It also incorporates adjustments to account for facility case–mix using a resident classification system that accounts for the relative resource utilization of different patient types. Extended care services furnished by SNFs are covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within thirty (30) days of discharge from a qualifying hospital stay. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by the SNF. "Ancillary" services furnished to the non–Medicare Part A SNF patients are also covered under Medicare Part B. SNF services for Medicare Part A inpatient stays are reimbursed for up to one hundred (100) days for each spell of illness. Medicare payments are subject to coinsurance and deductibles from the patient.

On May 6, 2013, CMS published a proposed rule regarding proposed fiscal year 2014 (i.e., October 1, 2013 through September 30, 2014) Medicare prospective payment rates for SNFs. Among other changes, the proposed rule would revise and rebase the SNF market basket. As a result of the changes in the proposed rule, CMS estimates that aggregate Medicare payments to SNFs would increase by $500 million, or 1.4%, compared with such payments in fiscal year 2013.

State Legislative and Regulatory Matters

The Institution also participates in the State Medicaid program, which accounted for about 76.12% of its payor revenues annually for the year ended December 31, 2012. In order to control Medicaid expenditures, the State has sought to enroll large numbers of Medicaid patients in managed care programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. Enrollment of Medicaid patients in managed care programs, payments to managed care organizations for care rendered to them, the financial risk assumed by the managed care organization and the resulting and potential financial and other risks to the Institution are similar to those for Medicare managed care programs.

The State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by CMS' federal predecessor, the Health Care Financing Administration in 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. There remains the possibility that managed care providers will seek to reduce the compensation healthcare providers are currently receiving under the Medicaid program and direct that such enrollees use the services of only managed care provider approved organizations. As a technical matter, Medicaid is <u>not</u> subject to the sequester reductions discussed above with respect to Medicare.

Medicaid Redesign Team

In January 2011, the New York State Medicaid Redesign Team was created by executive order to initially develop proposals saving $2.2 billion in the upcoming state fiscal year, and then recommend longer term reforms and restructuring of the State's Medicaid Program. As a result of the Team's initial phase of work, the New York State budget that was enacted for the state fiscal year ended March 31, 2012 eliminated the inflation trend factor in Medicaid rates through March 31, 2013, imposed a two percent withhold on all state funded Medicaid payments through March, 31, 2013, and instituted several smaller targeted rate reductions intended to influence healthcare practice or eliminate payments that were deemed redundant. Additionally, the budget created caps on global State Medicaid spending in the state fiscal years ending March 31, 2012 and March 31, 2013 and broadly authorized the administration to implement additional reductions if necessary to stay within the caps. The Governor's budget proposal for the state fiscal year ending March 31, 2014 would make permanent the inflation trend factor elimination and two percent payment withhold, and extend the annual global cap mechanism through the fiscal year ending March 31, 2015. However, the Institution projects that these actions will not result in a significant reduction of the Institution's Medicaid revenue for its fiscal year ending December 31, 2013.

The Medicaid Redesign Team's initial recommendations also identified several long–term proposals and initiatives that were explored and expanded in a second phase of work. Phase two culminated in the adoption of a multiyear action plan to transform the State's Medicaid program and achieve the "triple aim" goals of healthcare reform articulated by CMS: improving quality of care for individuals, improving health outcomes for the population, and reducing costs. Central to the proposed transformation is an aggressive plan to transition nearly all Medicaid recipients and services to managed care insurance plans or other forms of care management by April 2016. This transition would be complemented by expanded access to primary care, development of new integrated care delivery models and other investments in healthcare infrastructure. On August 6, 2012, the State submitted a Medicaid Waiver request to CMS to reinvest $10 billion of anticipated federal savings from adopted redesign initiatives into the implementation of the plan. Included in the request is $1.5 billion over five years to support innovative care management and primary care service delivery models at public hospitals.

New York State Medicaid Reform Rates

Beginning with the State budget for the fiscal ending March 31, 2008, the State has proposed and implemented a series of Medicaid reimbursement reforms, modifying virtually every reimbursement methodology. The new methodologies primarily implement severity adjusted PPS models similar to Medicare, and are designed to incentivize primary and preventive care. Rates in the new models generally reflect regional or statewide costs, with limited adjustments for provider specific costs such as labor rates and non–comparable services. Rates are further adjusted to achieve specific budget savings or programmatic objectives. Most of the new methodologies are phased in over a period time, during which period providers will receive either a graduated blend of the old and new rates or the new rate plus a diminishing transition adjustment. The detail and timing of these methodologies is discussed below.

Medicaid Nursing Home Reimbursement

Nursing home reimbursement rates consist of direct, indirect, non–comparable and capital components. The direct component is adjusted to take into account the relative resource consumption required by different types of patients. This is done by first grouping patients into RUGS. Since January 2009, Medicaid has classified patients into RUG categories by using the same patient assessment tool as Medicare – the Minimum Data Set ("MDS"). A facility case mix index ("CMI") based on the relative weights of different RUGs groups, is used to adjust the direct component of the nursing home's Medicaid rate. Beginning in April 2009, the CMI that is used for the rate adjustment only includes the RUGs scores of Medicaid patients. The patients for this "Medicaid only" CMI are identified through an all–patient census that nursing homes are required to conduct every six months. Rates are set twice a year (in January and July), corresponding to MDS assessments for these patients.

Nursing home rate components are based on a blend of trended 2007 statewide and peer group costs, adjusted by a relative labor cost factor blending regional and facility–specific labor costs. The non–comparable cost component of the rate consists of those allowable costs reported by a facility that are not subject to peer group comparisons, such as laboratory and radiology services. Nursing homes also receive additional per diem payments for certain specialty services and for quality performance. The operating portion of the rate is generally trended each year to keep up with the cost of inflation. However, there have been no inflation adjustments since 2007. Capital rates are based on reported costs, but are subject to audit disallowances and to an initial cost–per–bed limitation on construction costs.

The current nursing home reimbursement methodology was implemented on January 1, 2012, replacing a methodology that relied more heavily on individual costs and peer group comparisons. Transition payments for nursing homes with rate reductions under the new methodology are phased out over five years.

New York State Medicaid Cash Receipts Assessment

Effective April 1, 2002, an annual assessment was imposed on substantially all nursing home cash receipts as part of the New York State Health Care Work Force Recruitment and Retention Act of 2002. In April 2011, the assessment rate was adjusted upward to 7.2% from 6% in 2010 and in 2011 for the first calendar quarter. The rate remained at 7.2% for the rest of 2011 and in 2012 for the first calendar quarter. The rate decreased to 6.8% for the last two months of 2012. Although the Medicaid rates were increased to reimburse nursing homes the portion of the assessment related to Medicaid cash receipts up to the 6% assessment rate, the increased 0.8% portion of the rate is non–reimbursable.

Private Pay and Managed Care Patients

For its fiscal year December 31, 2012, the Institution received less than 1% of its annual payor revenues from private pay patients and approximately 9.73% from managed care patients. Since January 1, 1997, all Blue Cross, commercially insured, and self–pay patients have been obligated to pay reasonable and customary charges unless an alternative rate has been negotiated between the insurer and the Institution. For Medicaid managed care patients where no agreement is in place, managed care plans must pay the Medicaid Alternative Payment Rate ("APR"), which is based on the same rate methodology as Medicaid Fee–for–Service.

New York State Department of Health Regulations and Programs

The Institution is subject to extensive regulations regarding quality of care and other aspects of its operations by the DOH. Compliance with such regulations may require substantial expenditures for administrative or other costs. Certain changes to the Institution's services require review or approval by DOH. The Institution submitted a request for review of the Project in a May 6, 2013 letter to the Division of Health Facility Planning at the DOH. DOH has completed its review of the Project and has determined that it has no objections. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Institution's ability to make changes to its service offerings in the future and respond to changes in the healthcare environment may be limited.

The Governor's Executive Budget for the 2013 and 2014 fiscal year also contains provisions to implement a new coordination of care program for patients with complex high–cost healthcare needs. Groups or partnerships of healthcare providers will be designated as a "health home" for such patients. The regulations governing the Health Home Program are still in the process of being implemented by the State; thus, while the Institution is exploring various opportunities for partnerships with other healthcare providers, it is premature for management to opine on what effect, if any, the Health Home Program will have on the operations and revenues of the Institution.

The Governor's Executive Budget for the 2013 and 2014 fiscal year also has provisions for the establishment of a New York State Health Benefit Exchange ("HBE") that would implement PPACA's provisions to expand health insurance coverage. The exact nature and details of the HBE are not yet promulgated, so the Institution cannot determine what effect, if any, the HBE will have on the Institution.

Other Governmental Regulation

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

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

Nursing Staff Shortage

Recently the healthcare industry has in general experienced a shortage of nursing staff, which has resulted in increased costs for healthcare providers due to the need to hire agency nursing personnel at higher rates. Both the federal and state governments have implemented, or are considering implementing, legislative efforts to combat the health care industry's workforce shortages, including those in nursing. The American Recovery and Reinvestment Act of 2009 ("ARRA") has designated $500 million for addressing health professions workforce shortages, and these funds are being used for scholarships, loan repayment programs and grants to training programs. However, the Institution is currently not experiencing a shortage of nursing staff.

Competition

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

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

Federal "Fraud And Abuse" Laws And Regulations

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

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

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

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

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

HIPAA Privacy Regulations

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

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

HITECH

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

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

New York State Proposed Regulations Limiting Administrative Expenses and Executive Compensation Paid by Service Providers as of July 1, 2013

Implementing Executive Order 38 issued by Governor Cuomo early in 2012, in March 2013 thirteen New York State agencies (including the New York Department of Health) have again released revised proposed regulations placing a limit on the funds that can be used for administrative expenses and executive compensation by certain service providers, both for–profit and not–for–profit, that receive state funds or state–authorized payments to provide services. These proposed regulations have an effective date of July 1, 2013.

For a covered service provider (like the Institution) with a calendar year reporting period, the first covered reporting period would appear to be calendar year 2014, and the covered provider would be required to file the EO #38 Disclosure Form no later than 180 days after December 31, 2014.

The regulations prohibit the use of more than $199,000 of state funds or state–authorized payments to compensate a “covered executive” whose compensation in whole or in part is an administrative expense. If a covered provider has sources of funding in addition to state funds (i.e., a health care provider which receives both New York Medicaid funds as well as federal Medicare funds), it may provide an executive more than $199,000 in compensation, provided that (1) the executive’s compensation is below the top quartile in his or her field, according to a recognized compensation survey and (2) the executive’s compensation has been ”reviewed and approved” by the covered provider’s Board of Directors. Certain “waivers” from certain New York State agencies may also be available.

As for the limitations on administrative expenses, the proposed regulations require a service provider to use at least 75% of the state funds or state–authorized payments it receives to provide program services, rather than to pay for administrative expenses. This percentage requirement will increase by five percent each year, until it reaches 85% in 2015.

"Administrative expenses" under the proposed regulations are a service provider's management and overhead expenses that are not directly attributable to program services. For example, administrative expenses include most legal and office operating expenses, as well as the compensation of staff members who are not directly involved in providing program services. However, the proposed regulations specifically exclude capital expenses, property rental or maintenance, equipment rental, and depreciation and interest expenses.

If a subcontractor or agent of a service provider is considered a related entity and it receives state funds or state–authorized payments from the service provider, it is also subject to the limitations on administrative expenses.

The proposed regulations are complex and the Institution has not yet been able to determine whether these new rules will have any significant impact on the Institution's operations or financial condition.

IRS Enforcement of Code Section 4958

Revocation of the tax–exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2013 Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. While management believes the Institution's arrangements with private persons and entities are generally consistent with guidance by IRS and do not constitute private inurement, there can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Institution.

Code Section 4958 imposes intermediate sanction penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization has continued to function as a charity. The tax is imposed on the disqualified person receiving the excess benefit. An additional tax may be imposed on any officer, director, trustee or other person having similar powers or responsibilities who knowingly participated in the transaction willfully or without reasonable cause. "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that exceeds fair market value. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed.

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

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

Environmental and Safety Matters

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

Provider–Specific Taxes

The Medicaid Voluntary Contribution and Provider–Specific Tax Amendments of 1991 established standards that govern how states can impose and use provider–specific taxes. In general, states are allowed to impose broad–based, provider–specific taxes that are redistributive and do not contain "hold harmless" provisions. The 6.8% New York State assessment on cash receipts of nursing homes discussed above is an example of such provider–specific taxes.

Malpractice Claims and General Liability Insurance

In recent years, the number of malpractice and general liability suits and the dollar amounts of recoveries has moderated nationwide, resulting in slower growth in malpractice insurance premiums. Insurance premiums may continue to rise in future years, which could have a negative effect on the financial condition of the healthcare providers.

PART 7 – THE REFUNDING PLAN

Substantially all of the proceeds of the Series 2013A Bonds will be used, together with other available amounts, to currently refund the Refunded Bonds. Such proceeds and other available amounts will be deposited with the trustee for the Refunded Bonds in an amount sufficient, without investment of such amount, to redeem the Refunded Bonds on the date selected for redemption, upon the issuance and delivery of the Series 2013A Bonds. In the opinion of Bond Counsel, upon making such deposit with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the resolution pursuant to which they were issued, be deemed to have been paid and no longer outstanding, and the pledge of the revenues and other moneys and securities pledged under such resolution to the Refunded Bonds and all other rights granted by such resolution to the Refunded Bonds shall be discharged and satisfied.

Samuel Klein and Company, independent certified public accountants, will provide a written verification report that will verify the accuracy of the arithmetical computations with respect to the sufficiency of amount of the proceeds of the Series 2013 Bonds to be used to currently refund the Refunded Bonds on August 8, 2013.

PART 8 – THE PROJECT

In addition to the current refunding described in "PART 7 – THE REFUNDING PLAN" above, it is expected that $1,250,000 of the proceeds of the Series 2013 Bonds will be used to make a loan to the Institution which, together with other available amounts, will be used to upgrade and renovate the Facility, which may include HVAC upgrades and repairs, upgrades to security and telephone systems, equipment purchases, wireless connectivity and television reception upgrades, sprinkler systems, replacement of fire extinguishers, and refurbishment of approximately 13,800 square feet of the Facility intended to be used for orthopedic purposes, and the purchase of new beds for the Facility.

PART 9 – BONDHOLDERS' RISKS

The discussion herein of risks to holders of the Series 2013 Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended only to summarize certain matters which could affect payment on the Series 2013 Bonds. However, holders of the Series 2013 Bonds should be aware that these matters and other potential risks and factors could adversely affect the Institution's ability to make payments pursuant to the Loan Agreement which supports the Series 2013 Bonds, including the factors listed under "PART 6 – THE INSTITUTION – Regulatory and Other Factors Which May Affect the Institution's Revenues." Other sections of this Official Statement should be referred to for a more detailed description of risks described in this Section, which descriptions are qualified by reference to any documents discussed therein.

Adequacy of Revenues

The ability of the Institution to make payments under the Loan Agreement depends, among other things, on the capabilities of management, economic conditions including the demand for health care services, the ability of the Institution to provide services required by patients and physicians, confidence in the Institution, competition from other skilled nursing facilities in the Institution's service area, various third–party reimbursement programs (including Medicare and Medicaid), and other factors. See "PART 6 – THE INSTITUTION – Regulatory and Other Factors Which May Affect the Institution's Revenues."

The ability of the Institution to operate successfully over the life of the Series 2013 Bonds may be dependent upon its ability to finance, acquire and support additional capital replacements and improvements, which will be affected by legislation, regulations and applicable principles of reimbursement. In addition to matters discussed elsewhere in this Official Statement, the following factors, among others may have a material effect on the Institution's operations to an extent that cannot be determined at this time.

The federal deficit reduction "sequester" took effect March 1, 2013 and resulted in a general two percent reduction in Medicare payments beginning April 1, 2013. However, in recognition of the fact that only approximately 13% of its revenues have historically been attributable to Medicare payments, the Institution is not projecting that the initial sequester reduction in Medicare payments will have a materially adverse impact on its Medicare revenue for its fiscal year ending December 31, 2013. Any further significant decrease in the level of payments by Medicare may have an adverse impact on the financial condition of the Institution.

Approximately 76.12% of the Institution's revenues were derived from New York's Medicaid program for its fiscal year ended December 31, 2012. Significant changes have been made and may be made in the Medicaid program which could have a material adverse impact on the Institution's financial condition. In addition, bills have been and may be introduced in the Congress of the United States, which, if enacted, could adversely affect the operations of the Institution by, for example, decreasing reimbursement by third–party payors or limiting the ability of the Institution to maintain or increase the level of services provided to patients.

Medicaid is a joint federal–state program administered by the State. The federal government bears approximately half of Medicaid costs in the State. The remainder of the cost is shared by the State and local social services district of the patient's residence. Medicaid reimbursement rates paid to health care facilities have been the subject of extensive regulation in the State since 1969, and must be certified annually by the DOH and the Director of the Budget. Although the New York State Medicaid Redesign Team proposals coupled with State's budget changes to the State's Medicaid Program including the imposition of caps on global State Medicaid spending will result in reduced State Medicaid spending as these caps are phased in over several March 31 State fiscal year-ends, the Institution projects that its Medicaid revenues for at least its fiscal year ended December 31, 2013 will not be significantly reduced by these changes.

The financial viability of skilled nursing facilities, including the Facility, is dependent upon, among other things, the establishment of Medicaid reimbursement rates sufficient to reimburse the Institution at appropriate levels to meet its obligations, and the ability and willingness of the State Legislature and United States Congress to continue to make appropriations in the amounts required. There can be no assurance that the revenue generated by the Medicaid reimbursement rates will be sufficient to reimburse the Institution for its costs of operation.

Although shortages of certain types of personnel, particularly nursing personnel, available for staffing residential health care facilities exists in certain parts of the country, the Institution is not experiencing any serious shortages at the present time. See "PART 6 – THE INSTITUTION – Employees." In addition, residential health care facilities often are not financially able to match salaries and working conditions of other larger healthcare providers and these factors may impact the ability of the Institution to hire and retain staff at the Facility. To the extent that the Institution cannot obtain adequate staff levels, utilization may be adversely affected.

Projections of the Institution's ability to meet its obligations are dependent upon a high level of utilization of the Facility. While an ongoing demand for the Institution's services has been projected by the Institution, there can be no assurances that such demand will continue throughout the term of the Series 2013 Bonds

Over the past few years, the number of Medicaid recipients enrolled in Medicaid Managed Care Plans has steadily increased, on a voluntary basis. The State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the 1115 waiver), was approved in 1997, allowing the State to enroll most Medicaid recipients in Medicaid managed care plans. Coupled with the restructuring efforts to the State's Medicaid Program accomplished by the New York State Medicaid Redesign Team in 2012, significant efforts have been made to limit the cost of health care services and to reduce utilization of acute care facilities and hospital emergency rooms by such means as increased cost competition, preventive medicine, vigorous utilization review, improved standards of occupational health and safety, outpatient care, may benefit and increase utilization of the Institution's skilled nursing facility. Further, the State's new Medicaid Waiver request to CMS dated August 6, 2012, if approved, are expected to increase significantly the cost savings and efficiency of the State's Medicaid Program.

DOH regulations contain ongoing reporting, obligations applicable to all skilled nursing facilities. Failure to submit timely financial and statistical reports or failure to timely submit specific additional information or data related to the reimbursement rate setting process required or requested by the Commissioner of Health may result in a reimbursement rate not being promulgated. Further, if an audit of any fiscal and statistical record or reports submitted to the DOH as required under the regulations results in a determination that a reimbursement rate revision is required, then any resulting overpayment or underpayment may be satisfied, at the discretion of the Commissioner of Health, by either retroactive adjustment of the reimbursement rate paid during the period audited or by prospective adjustment of the current reimbursement rate.

Patient care liability is an industry-wide consideration. If patient care claims significantly increase in number and size, the Institution's future financial condition and operating results may be adversely affected. There are no claims currently pending or threatened against the Institution which might result in a materially adverse change in the Institution's financial condition or operation. See "PART 6 – THE INSTITUTION – Litigation." A number of insurance carriers have withdrawn from this segment of the insurance market, citing underwriting losses, and premiums have increased sharply in the past several years. See "PART 6 – THE INSTITUTION – Insurance."

The Institution could face competition in the future from other facilities that would offer comparable health care services, including the construction of new or the renovation of existing facilities.

The Institution's ability to add services or to materially modify existing services is subject to DOH review and, in most cases, approval. DOH considers, among other factors, the need for and availability of services, the effects on reimbursement rate and State reimbursement obligations of authorizing the services or changes, the distribution of services and the availability of providers and the feasibility for implementation of the proposal.

Approvals can be highly discretionary, may involve substantial delay and may require substantial changes in a proposal. Accordingly, the Institution's ability to make changes in its service offerings to respond to changes in the market environment may be limited. However, DOH has approved the renovation and refurbishment components of the Project, which, when completed, will enable the Institution to provide certain new resident–focused services and to make certain related capital expenditures.

There have been recent developments affecting the tax–exempt status of not–for–profit organizations, including legislation introduced in the Congress. Taxing authorities in certain jurisdiction have sought to impose or increase taxes related to the property and operation of such organizations, particularly where such authorities have been dissatisfied with the amount of service provided to indigents.

Regulatory and other changes resulting from the factors mentioned above, among others, may have a material adverse effect on the Institution's operations. See "PART 6 – THE INSTITUTION – Regulatory and Other Factors Which May Affect the Institution's Revenues."

Uncertainty Regarding Going Concern of the Institution

The Institution's audited financial statements as of December 31, 2012 includes the statement in the auditor's report that the Institution has suffered recurring losses and has a net deficiency that raises substantial doubt about its ability to continue as a going concern. Note 3, Management's Discussion of Current Economic Environment and Plan to Improve Results of Operations (Unaudited), to the financial statements states that for the year ended December 31, 2012, the Institution had an operating loss of approximately $1.7 million after depreciation and amortization, a net asset deficiency of $5.9 million, and continued to experience liquidity shortfalls and operating losses. See "Appendix B-1 – Audited Financial Statements (together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center, for the year ended December 31, 2012" for a description of the Institution's financial condition as of December 31, 2012 and see Note 3 therein for management's discussion of the current economic environment and the plan to improve results of operation (unaudited).

Event of Taxability

If the Institution does not comply with certain covenants of the Institution set forth in the Loan Agreement or if certain representations or warranties made by the Institution in the Loan Agreement or in certain certificates of the Institution are false or misleading, the interest paid or payable on the Series 2013A Bonds may become subject to inclusion in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2013A Bonds should become subject to inclusion in gross income for federal income tax purposes, the Resolutions do not provide for payment of any additional interest on the Series 2013A Bonds, the redemption of the Series 2013A Bonds or the acceleration of the payment of principal on the Series 2013A Bonds.

Natural Disasters

The occurrence of natural disasters including floods and earthquakes may damage the Mortgaged Property, interrupt utility service to the Facility, or otherwise impair the operation of the Mortgaged Property and the generation of revenues from the Facility. The Mortgaged Property will be covered by general property insurance in an amount which the Institution considers to be sufficient to provide for the replacement of the Mortgaged Property in the event of a natural disaster.

PART 10 – THE AUTHORITY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, constituting Titles 4 and 4–B of Article 8 of the Public Authorities Law of the State, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not–for–profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not–for–profit healthcare; and independent higher education and other not–for–profit institutions. DASNY issues State–supported debt, including Personal Income Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government–supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2013, DASNY had approximately $45 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax–exempt leases, with its Tax–Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not–for–profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain 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, borrow money and adopt a program of self–insurance.

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

Governance

DASNY is governed by an eleven–member board. 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 DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., Chair, New York. Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on April 27, 2010. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expired on March 31, 2013 and by law he continues to serve until a successor shall be chosen and qualified.

JOHN B. JOHNSON, JR., Vice–Chair, Watertown. John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on March 16, 2010. 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 holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2013 and by law he continues to serve until a successor shall be chosen and qualified.

JACQUES JIHA, Ph.D., Secretary, Woodbury. Jacques Jiha was appointed as a Member of DASNY by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi–media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York. Beryl L. Snyder was appointed as a member of DASNY by the Governor on June 15, 2011. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

SANDRA M. SHAPARD, Delmar. Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 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 the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where 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. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco. Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed–use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar. Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

JOHN B. KING, JR., J.D., Ed.D., Commissioner of Education of the State of New York, Slingerlands; ex–officio. John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non–public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., Commissioner of Health, Albany; ex–officio. Nirav R. Shah, M.D., M.P.H.., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems–based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

ROBERT L. MEGNA, Budget Director of the State of New York, Albany; ex–officio. Robert L. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York

City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior to that, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a public finance practice. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY 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 DASNY, 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 DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY 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. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of DASNY. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising DASNY's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in–house legal department and external counsel teams (and budgets) across a five–state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY 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 has worked in the construction industry for more than 20 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA L. WALLACE is the Managing Director of the Office of Executive Initiatives. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women Owned Businesses, sustainability, training and marketing, as well as communicating with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private sector telecommunications businesses and civic organizations. Ms. Wallace holds a Bachelor's Degree from Pepperdine University and a Master's Degree in Public Administration from Columbia University.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

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 DASNY 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. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY 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 DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY 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 to the extent such acts and regulations are applicable.

Independent Auditors

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

PART 11 – LEGALITY OF THE SERIES 2013 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2013 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 2013 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 12 – NEGOTIABLE INSTRUMENTS

The Series 2013 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolutions and in the Series 2013 Bonds.

PART 13 – TAX MATTERS

Federal Income Tax – Series 2013A Bonds

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2013A Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2013A Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2013A Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2013A Bonds maturing July 1, 2014 through July 1, 2021, inclusive, and July 1, 2028 (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2013A Bonds maturing July 1, 2022 and July 1, 2023 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the

Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner's adjusted basis for purposes of determining an owner's gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation's federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2013A Bonds in order that interest on the Series 2013A Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2013A Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2013A Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A Bonds, irrespective of the date on which such noncompliance occurs. In the Resolutions, the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2013A Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2013A Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2013A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2013A Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2013A Bonds, (ii) interest on the Series 2013A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2013A Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2013A Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2013A Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2013A Bonds.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2013A Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

Federal Income Tax – Series 2013B Bonds

The following discussion summarizes certain United States ("U.S.") federal tax considerations generally applicable to holders of the Series 2013B Bonds that acquire the Series 2013B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, and any such change could have retroactive effect. Prospective investors should also note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, financial institutions, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, persons holding the Series 2013B Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire the Series 2013B Bonds pursuant to this initial offering for the issue price that is applicable to such Series 2013B Bonds (i.e., the price at which a substantial amount of the Series 2013B Bonds are sold to the public) and who will hold the Series 2013B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

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

As used herein, "Non–U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2013B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2013B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2013B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest on Series 2013B Bonds. Payments of interest on the Series 2013B Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes, provided such interest is "qualified stated interest," as defined below.

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2013B Bonds issued with original issue discount ("OID Bonds") for U.S. federal income tax purposes. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a specified de minimis amount (generally

1/4 of 1% of the bond's stated redemption price at maturity (i) multiplied by the number of complete years to its maturity from its issue date or, (ii) in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical bonds equals the first price at which a substantial amount of such maturity of bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a bond is the sum of all payments provided by the Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

A U.S. Holder of an OID Bond must include original issue discount in income as ordinary interest for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. Original issue discount allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules apply for calculating original issue discount for an initial short accrual period. The "adjusted issue price" of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Series 2013B Bond for an amount that is greater than the sum of all amounts payable on such Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such Series 2013B Bond and may offset interest otherwise required to be included in respect of such Series

2013B Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a Series 2013B Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or decrease the amount of loss otherwise recognized on the disposition of such Series 2013B Bond. However, if a Series 2013B Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such Series 2013B Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Series 2013B Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Series 2013B Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Series 2013B Bond and (B) the sum of all amounts payable on such Series 2013B Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in such Series 2013B Bond and (Y) the sum of all amounts payable on such Series 2013B Bond after the purchase date due on or before the early call date, described below, other than payments of qualified stated interest. If a Series 2013B Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Series 2013B Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Series 2013B Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to Series 2013B Bond that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of Series 2013B Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2013B Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Series 2013B Bond and such U.S. Holder's adjusted tax basis in such Series 2013B Bond. A U.S. Holder's adjusted tax basis in a Series 2013B Bond generally will equal such U.S. Holder's initial investment in the Bond increased by accrued market discount, if any, if the U.S. Holder has included such market discount in income, and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2013B Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders

A Non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2013B Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Series 2013B Bonds, unless the Non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Series 2013B Bonds,
- certifies that the owner is not a U.S. holder, and

- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2013B Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2013B Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A Non-U.S. Holder of Series 2013B Bonds whose income from such Series 2013B Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder, provided the holder furnishes to the Withholding Agent a Form W-8ECI.

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

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on any amount that constitutes capital gain upon retirement or disposition of Series 2013B Bonds, unless the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Series 2013B Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a Non-U.S. Holder in these circumstances should consult his tax advisor.

Series 2013B Bonds will not be includible in the estate of a Non-U.S. Holder unless, at the time of the decedent's death, income from such Series 2013B Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2013B Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2013B Bonds to a U.S. Holder must be reported to the IRS, unless U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

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

Defeasance

Under the terms of the Indenture, the Series 2013B Bonds may be legally defeased prior to their stated maturity. Prospective purchasers of Series 2013B Bonds should be aware that, for U.S. federal income tax purposes, any such legal defeasance will be treated as a taxable exchange of such Series 2013B Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of Series 2013B Bonds could differ from the timing and character of the amounts that would have been includible in gross income in respect of such Series 2013B Bonds had the legal defeasance not occurred Prospective purchasers of the Series 2013B Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

IRS Circular 230 Disclosure - Series 2013B Bonds

The advice under this TAX MATTERS section concerning certain federal income tax consequences of the acquisition, ownership and disposition of the Series 2013B Bonds, was written to support the marketing of the Series 2013B Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any federal tax advice contained in this Official Statement (including any Appendices) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) each bondholder should seek advice based on such bondholder's particular circumstances from an independent tax advisor.

State and Local Income Taxes – Series 2013 Bonds

Bond Counsel is also of the opinion that, under existing statutes, including the Act, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2013 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2013 Bonds.

Interest on the Series 2013 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2013 Bonds under other state or local jurisdictions. Each purchaser of Series 2013 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2013 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations – Series 2013 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 2013 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2013 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2013 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2013 Bonds for audit examination or the course or result of an audit examination of the Series 2013 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2013 Bonds. For example, President Obama has released various legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2013A Bonds) for taxpayers whose income exceeds certain threshold levels. No prediction is made as to whether any such proposals will be enacted. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2013 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2013 BONDS.

PART 14 – STATE NOT LIABLE ON THE SERIES 2013 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolutions specifically provide that the Series 2013 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 15 – 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 16 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2013 Bonds by the Authority are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the delivery of the Series 2013 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its counsel, McGlashan Law Firm, P.C., New York, New York, and for the Underwriter by its counsel, McKenna Long & Aldridge LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolutions and the Loan Agreement.

PART 17 – RATINGS

The Series 2013 Bonds are rated "Aa1" and "AA-", respectively, by Moody's Investors Service Inc. and Fitch Ratings. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. The credit rating reflects only the view of such credit agency, and an explanation of the significance of the credit rating may be obtained from the respective rating agency. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2013 Bonds.

PART 18 – UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013A Bonds from the Authority at an aggregate purchase price of $27,540,072, representing the principal of the Series 2013A Bonds, plus net original issue premium of $2,347,168.15, less an underwriter's discount of $317,096.64, and to make a public offering of Series 2013A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013B Bonds from the Authority at an aggregate purchase price of $216,525, representing the principal of the Series 2013B Bonds, plus original issue premium of $1,628.00, less an underwriter's discount of $60,102.81, and to make a public offering of Series 2013B Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2013 Bonds if any are purchased.

The Series 2013 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into an agreement (the "Distribution Agreement") with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings at the original issue price. As part of this arrangement, the Underwriter may compensate TD Ameritrade, Inc. for its selling efforts with respect to the Series 2013 Bonds.

PART 19 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2–12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2–12"), the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 165 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending December 31, 2013, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access System for municipal disclosures on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 6 - THE INSTITUTION" of this Official Statement (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards; provided however that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB when they become available.

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

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2–12 and described below (the "Notices"). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will file the Notices with each such Repository or with the MSRB in a timely manner. With respect to the Series 2013 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2013 Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 6 - THE INSTITUTION" relating to: (1) reimbursement rates per room for the Facility similar to that set forth under the heading "Rates and Charges;" (2) utilization statistics for the Facility similar to that set forth under the heading "Historical Utilization;" (3) capital structure of the Institution similar to that set forth under the table entitled "Historical Capital Structure" under the heading "Historical and Pro Forma Capital Structure," unless such information is included in the audited financial statements of the Institution; (4) a summary of the Institution's revenues and expenses similar to that set forth under the table entitled "Summary of Institution's Historical Revenues and Expenses" set forth under the heading "Summary of Historical Revenues and Expenses," unless such information is included in the audited financial statements of the Institution; and (5) information related to revenues by payor source similar to that set forth under the tables entitled (i) Percent of Total Billable Days by Payor Source, (ii) Percent of Total Revenue by Payor Source, and (iii) Aggregate Patient Revenue by Payor Source, set forth under the heading "Sources of Patient Revenue;" together with (b) a narrative explanation, if 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 2013 Bonds, if material: (1) principal and interest payment delinquencies; (2) non–payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices and determinations or events affecting the tax-exempt status of the Series 2013A Bonds; (7) modifications to the rights of holders of the Series 2013 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2013 Bonds, if material; (11) rating changes; (12)

tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institution; (14) consummation of a merger, consolidation or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (15) appointment of a successor or additional trustee, or the change of name of a trustee, if material; and (16) failure to provide annual financial information as required. In addition, DAC will undertake to provide to the MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2013 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 2013 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2013 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 2013 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 2013 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2013 Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2–12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2–12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2013 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2013 Bonds will be on file at the principal office of the Authority.

PART 20 – MISCELLANEOUS

Reference in this Official Statement to the Act, the SONYMA Act, the Resolutions, the Loan Agreement, the Mortgage and the SONMYA Mortgage Insurance Policy do not purport to be complete. Refer to the Act, the SONYMA Act, the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy for full and complete details of their provisions. Copies of the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy are on file with the Authority and the Trustee. The agreements of the Authority with Owners of the Series 2013 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2013 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2013 Bonds.

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

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

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

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

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

The financial statements of the Institution for the years ended December 31, 2012 and December 31, 2011 included as Appendix B-1 and Appendix B-2, respectively, have been audited by O'Connor Davies, LLP, independent auditors, as indicated in their report therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Project, Principal and Interest Requirements for the Series 2013 Bonds, the Estimated Sources and Uses of Funds, Bondholders' Risks, "Appendix B-1 – Financial Statements (Together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center for the Year Ended December 31, 2012," and "Appendix B-2 – Financial Statements (Together with Independent Auditor's Report) of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center for the Year Ended December 31, 2011." The Institution will certify as of the dates of sale and delivery of the Series 2013 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

Appendix A

DEFINITIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance Security means any of the following:

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

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

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

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

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

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

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

Exempt Obligation means any of the following:

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

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

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

Facility Provider means the issuer of any Reserve Fund Facility.

Federal Agency Obligation means:

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

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

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

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

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

Government Obligation means any of the following:

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

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

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

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

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

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

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

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

Institution means Buena Vida Corp., a not–for–profit nursing home company organized and existing under the laws of the State, or any successor thereto as permitted by the Loan Agreement.

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

Loan Agreement means the Loan Agreement, dated as of May 15, 2013, by and between the Authority and the Institution in connection with the issuance of the Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted hereby and by the Loan Agreement.

Mortgage means the 1998A Mortgage as modified by the Mortgage Modification Agreement in connection with the issuance of the Bonds, in form and substance satisfactory to the Authority, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under Loan Agreement as such Mortgage may be amended or modified as provided in Section 13 of the Loan Agreement.

Mortgage Modification Agreement means that certain agreement between the Institution and the Authority entered into in connection with the issuance of the Series 2013 Bonds modifying the 1998A Mortgage.

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

1998A Mortgage means that certain mortgage dated as of September 2, 1998 granted by the Institution to the Authority in connection with the issuance of the Refunded Bonds.

1998A Project means the project financed with the Refunded Bonds.

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

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

Permitted Collateral means any of the following:

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

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

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

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

Permitted Encumbrances means

(i) the Loan Agreement;

(ii) the Resolution;

(iii) the Mortgage;

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

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

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

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State with a short-term rating no lower than "A–1" by Standard & Poor's Rating Services and "P–1" by Moody's Investors Service, Inc.;

(v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposit in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category provided that if the Bonds are then rated, such Rating Service shall include all the Rating Services then rating the Bonds, and (b) are fully collateralized by Permitted Collateral;

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

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

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

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

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

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

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

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

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

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds;

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

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

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

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

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

Refunded Bonds means the Dormitory Authority of the State of New York Buena Vida Nursing Home Revenue Bonds, Series 1998A.

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

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

Resolution means Buena Vida Nursing Home Revenue Bond Resolution, adopted by the members of the Authority on May 15, 2013, as the same may be from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

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

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

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

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

Series 2013A Bonds means the Bonds designated "Dormitory Authority of the State of New York Buena Vida Nursing Home Revenue Bonds, Series 2013A" authorized to be issued pursuant to the Resolution and the Series 2013A Resolution in an aggregate principal amount not to exceed $27,210,000.

Series 2013B Bonds means the Bonds designated "Dormitory Authority of the State of New York Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable)" authorized to be issued pursuant to the Resolution and the Series 2013B Resolution in an aggregate principal amount not to exceed $27,210,000.

Series 2013 Bonds means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

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

Series 2013A Resolution means the Series Resolution Authorizing Up To $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013A.

Series 2013B Resolution means the Series Resolution Authorizing Up To $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable).

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation and with respect to such Bonds, so long as any such Bonds thereof are Outstanding, the amount of money required by a Series Resolution or by the applicable Bond Series Certificate, to be paid on a single future July 1 for the retirement of any Outstanding Bonds which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

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

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

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

State means the State of New York;

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

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

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

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

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

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

Appendix B-1

AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF BUENA VIDA CORP.
d/b/a BUENA VIDA CONTINUING CARE AND REHABILITATION CENTER
FOR THE YEAR ENDED DECEMBER 31, 2012

[THIS PAGE INTENTIONALLY LEFT BLANK]

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Financial Statements

December 31, 2012

[THIS PAGE INTENTIONALLY LEFT BLANK]

O'CONNOR DAVIES

PKF

Independent Auditor's Report

Board of Directors
Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

We have audited the accompanying financial statement of financial position of Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center (the "Center") which comprise the statement of financial position as of December 31, 2012 and the related statement of operations and changes in net deficit and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2012 and the results of its operations and changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 3 to the financial statements, the Center has suffered recurring losses and has a net deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

O'Connor Davies, LLP

Harrison, New York
May 29, 2013

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Statement of Financial Position

December 31, 2012

ASSETS	
Current Assets	
Cash and cash equivalents	$ 161,224
Cash - resident funds	285,947
Accounts receivable, net	3,813,052
Assets limited as to use, current portion	1,659,006
Restricted cash due from sponsor	1,080,599
Prepaid expenses	68,274
Other assets	114,737
Total Current Assets	7,182,839
Assets limited as to use, net of current portion	2,979,101
Deferred financing costs, net	1,185,367
Property, plant and equipment, net	16,745,377
	$ 28,092,684
LIABILITIES AND NET DEFICIT	
Current Liabilities	
Mortgage payable, current portion	$ 1,140,000
Due to third party payors, current portion	782,872
Accounts payable and accrued expenses	2,800,444
Accrued compensation and related costs	1,220,341
Resident funds	285,947
Total Current Liabilities	6,229,604
Mortgage payable, net of current portion	25,914,150
Due to third party payors, net of current portion	1,846,986
Total Liabilities	33,990,740
Net Deficit	
Unrestricted	(5,898,056)
	$ 28,092,684

See notes to financial statements

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Statement of Operations and Changes in Net Deficit

Year Ended December 31, 2012

OPERATING REVENUE	
Net patient service revenue	$ 25,545,839
Other revenues	179,709
Total Operating Revenue	25,725,548
OPERATING EXPENSES	
Salaries	12,593,147
Employee benefits	5,485,997
Supplies and other expense	4,786,639
Depreciation and amortization	1,622,723
Interest expense	1,586,719
Provision for bad debts	150,000
New York State cash receipt assessment	1,350,643
Total Operating Expenses	27,575,868
Deficiency of Operating Revenues Over Operating Expenses	(1,850,320)
OTHER NONOPERATING INCOME	
Interest income	107,537
Change in Unrestricted Net Deficit	(1,742,783)
NET DEFICIT	
Beginning of year	(4,155,273)
End of year	$ (5,898,056)

See notes to financial statements

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Statement of Cash Flows

Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net deficit	$ (1,742,783)
Adjustments to reconcile change in net deficit	
to cash from operating activities	
Depreciation and amortization	1,622,723
Amortization of deferred financing costs	134,299
Provision for bad debts	150,000
Change in operating assets and liabilities	
Accounts receivable	184,376
Restricted cash due from sponsor	1,366,467
Prepaid expenses	79,244
Other assets	(51,291)
Accounts payable and accrued expenses	195,086
Accrued compensation and related costs	218,736
Due to third parties	(1,011,095)
Net Cash from Operating Activities	1,145,762
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(324,726)
Change of limited use assets	(249,055)
Net Cash from Investing Activities	(573,781)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on mortgage	(1,085,000)
Change in Cash and Cash Equivalents	(513,019)
CASH AND CASH EQUIVALENTS	
Beginning of year	674,243
End of year	$ 161,224
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for interest	$ 1,436,250

See notes to financial statements

1. Organization

Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center (the "Center") is a not-for-profit corporation which operates a 240-bed nursing home located in Brooklyn, New York. Ridgewood Bushwick Senior Citizens Council, Inc., a New York nonprofit corporation, is the sole member of the Center.

Tax Exempt Status

The Center, as determined by the Internal Revenue Service, was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and under the corresponding provisions of the New York State income tax laws.

2. Summary of Significant Accounting Policies

Basis of presentation and use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S GAAP”) which 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 and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from these estimates.

Net Assets

Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by the Center is limited by donor imposed stipulations that will be met either by passage of time or that can be fulfilled and removed by actions of the Center pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Permanently restricted net assets are donor restricted gifts that must be maintained permanently by the Center to provide present and future income for operations. At December 31, 2012, there were no temporarily or permanently restricted net assets

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash.

2. Summary of Significant Accounting Policies *(continued)*

Residents' Funds

Residents' funds are held by the Center on behalf of the residents. Such funds represent allowances received by residents as well as other residents' funds deposited with the Center for safekeeping. The funds are disbursed by the Center at the request of, or on behalf of residents for their personal use. Interest earned on resident funds is credited to the residents' accounts.

Contributions and Grants

Unconditional contributions and grants are reported at fair value at the date the contribution or grant is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Temporarily restricted contributions and grants received and expended in the same fiscal year are reflected as unrestricted revenues. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for Doubtful Accounts

The Center provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts was $650,000 at December 31, 2012.

Restricted Cash Due from Sponsor

The sponsor and sole member of the Center, Ridgewood Bushwick Senior Citizens Council, Inc. (Ridgewood Bushwick), holds funds in a separate account for the Center. Interest and dividends earned are credited to the account. The funds are unrestricted and for the exclusive benefit of the Center.

Fair Value of Financial Instruments

The Center follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

2. Summary of Significant Accounting Policies *(continued)*

Fair Value of Financial Instruments (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The fair values by input level of the Center's financial instruments are included in note 4 to the financial statements.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Center are reported as current assets (See note 4).

Capitalized Financing Costs

In 2001, the Center incurred financing costs of approximately $3.4 million in connection with the issuance of debt. The deferred financing costs are amortized using the effective interest method. Amortization expense for the year ended December 31, 2012 amounted to $110,602 and is included within interest expense on the statement of operations and changes in net deficit.

Property, plant and equipment

Fixed assets are stated at cost. Items with a cost of $500 or more and useful lives greater than one year are capitalized. Maintenance and repairs of a routine nature are charged against revenue while those that extend the life of existing properties are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated lives by asset class are as follows:

Building and improvements	10-40 years
Fixed equipment	10-40 years
Movable equipment	5-20 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Center records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized as of December 31, 2012.

2. Summary of Significant Accounting Policies *(continued)*

Asset Retirement Obligations

The Center accounts for Asset Retirement Obligations ("ARO") in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. At December 31, 2012, the Center has not identified any conditional ARO's requiring accrual.

Net Patient Service Revenue

The Center has agreements with third party payors that provide for payments to the Center at amounts different from its established rates. Payments are generally prospectively determined per-diem amounts. Net patient service revenue is reported at the estimated net realizable amounts from patients and third party payors for services rendered, including retroactive adjustments under reimbursement agreements with third party payors.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2009.

Operating Indicator

The statement of operations and changes in net deficit includes the caption deficiency of operating revenues over operating expenses. Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses and are included in the operating indicator, deficiency of operating revenues over operating expenses. Changes which are excluded from deficiency of operating revenues over operating expenses, consistent with industry practice, include non-operating revenue and expenses.

Functional Allocations of Expenses

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

2. Summary of Significant Accounting Policies *(continued)*

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for 2012 were $12,024.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 29, 2013.

3. Management's Discussion of Current Economic Environment and Plan to Improve Results of Operations

For the year ended December 31, 2012, the Center had an operating loss of approximately $1.7 million after depreciation & amortization (approximately $1.6 million) and a net asset deficiency of $5.9 million. Additionally, the Center continues to experience liquidity shortfalls and operating losses.

Management recognizes the complexity of reimbursement from its primary payor source Medicare and Medicaid and its effect on the financial viability of the Center. Management's plan consists of three approaches to enhance the Center's fiscal viability: (1) focus and monitor all controllable costs associated with personnel; (2) maximize the Center's designation as a "5 Star" skilled nursing facility through modest marketing to increase casemix; (3) secure contracts with Managed Long Term Care providers and Health Maintenance Organizations at market related rates.

Management is also in discussion with an Orthopedic Group to form an alliance with them to admit more residents to the Center's Subacute unit for rehabilitation treatments.

The facility is also in the advanced stages of the process of refinancing it's existing long term debt. Approval for this refinancing has already been approved by the facility's Board of Directors, The Dormitory Authority of the State of New York as well as the New York State Department of Health. Once this refinancing takes place, it is projected that there will be a savings to the facility in interest expense in excess of $3,000,000 (unaudited) over the remaining life of the bonds.

Management believes that those initiatives will improve the Center's financial condition and that the Center will be able to meet its obligations as they become due.

4. Assets Limited as to Use

Assets limited as to use are required to be set aside under the terms of the indenture agreement and in accordance with third party payor agreements. Assets limited as to use are for future capital expenditures and mortgage obligation purposes at December 31, 2012 consist of the following:

Debt service fund (a)	$	1,659,006
Debt service reserve fund (b)		1,276,063
Operating escrow (c)		1,703,038
	$	4,638,107

(a) Debt service fund – funds set aside to meet the yearly debt service requirement.
(b) Debt service reserve fund – funds set aside to pay the annual debt service if the amount in the debt service fund is insufficient to satisfy the debt service requirements.
(c) Operating escrow – funds set aside for necessary capital purchases.

The composition of assets limited to use at December 31, 2012, categorized by fair value hierarchy is set forth below:

Cash and cash equivalents	$	2,805,265
Level 1 (Quoted Prices in Active Markets)		
U.S. Government obligations		556,779
Level 2 (Quoted Prices in Non-Active Markets)		
Guaranteed investment contract (d)		1,276,063
	$	4,638,107

(d) Guaranteed investment contract (GIC) – The debt service reserve fund, which is held by the Dormitory Authority of the State of New York (DASNY), is invested in a GIC. The GIC earns interest fixed at 5.51% and matures on July 1, 2028. Interest income is credited and subsequently transferred to the debt service fund to meet the yearly debt service requirement. Contract value approximates fair value at December 31, 2012.

5. Property, Plant and Equipment

Property, plant and equipment at December 31 consist of the following:

Land	$ 66,000
Land improvements	580,671
Building	18,568,564
Building improvements	4,261,211
Fixed equipment	8,980,666
Movable equipment	4,835,274
	37,292,386
Accumulated depreciation	(20,547,009)
	$ 16,745,377

6. Debt

In 1998 the Center obtained financing from the Dormitory Authority of the State of New York (DASNY). The funding for the financing and related costs was provided by the issuance of tax-exempt bonds.

Interest accrues at rates varying from 5.17% to 5.25% on the unpaid bonds. The debt is secured by the assets of the Center. Annual principal payments are due as follows:

2013	$ 1,140,000
2014	1,200,000
2015	1,260,000
2016	1,320,000
2017	1,385,000
2018 to 2035	20,905,000
	27,210,000
Less unamortized discount	(155,850)
	$ 27,054,150

Total interest expense on the mortgage was $1,452,420 at December 31, 2012.

7. Net Patient Service Revenue

The Center is undergoing audits by NYS Office of the Medicaid Inspector General (OMIG) for rate years 2006 through 2008. The financial outcome of these audits has not been determined.

The Center has agreements with third party payors that provide for payments for services rendered by the Center. A summary of the payment arrangements with the major third party payors follows:

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are at prospectively determined per-diem rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. In addition, a portion of the reimbursement rate is based on the actual capital-related costs of the Center.

For 2011, the non-capital Medicaid reimbursement is based on a methodology incorporating 2002 facility specific financial and statistical data adjusted for 2011 facility specific patient acuity levels. Effective January 1, 2012, non-capital Medicaid reimbursement from New York State is provided under a statewide pricing methodology that incorporates 2007 New York State allowable costs, facility-specific patient acuity levels from January 2011 and 2012 and a wage adjustment that blends 2009 regional and facility-specific wage information.

Medicare

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined per-diem rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Third party payors retain the right to review and propose adjustments to reimbursement amounts received by the Center. Provision is made in the financial statements for anticipated adjustments that may vary from such revisions.

In the normal course of business, the Center requests revisions to reimbursement amounts received under third party payor agreements. No amounts are recorded unless the Center is reasonably assured that such revision is granted.

The NYS Department of Health (“NYSDOH”) revised its Medicaid reimbursement methodology effective April 1, 2009 based on 2002 statewide financial and patient acuity level data that is adjusted using 2009 facility specific patient acuity levels. As required under Federal law, NYSDOH requested and received final approval of the revised methodology from the Centers for Medicare and Medicaid Services in 2012. For the year ended December 31, 2012, net patient service revenue increased by approximately $250,000, due to a change in rate from the prior year to reflect the most recent information available.

7. Net Patient Service Revenue *(continued)*

Revenue from the Medicaid and Medicare programs accounted for approximately 76% and 14%, respectively of the Center's net patient revenue for the year ended 2012. The current Medicaid and Medicare programs are based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is at least a reasonable possibility that recorded numbers will change in the near term.

The Center also has entered into payment agreements with commercial insurance carriers. The basis for payment to the Center under these agreements generally is prospectively determined per-diem rates.

8. Pension Plans

403(b) Plan

The Center has a 403(b) elective deferral retirement program, which has a 4% employer contribution for nonunion members who qualify. Pension expense for this plan in 2012 was $149,080.

Multi Employer Pension Plan

The Center contributes to the 1199 SEIU Health Care Employees Pension Fund ("1199 Plan"). The 1199 Plan is governed by the terms of a collective-bargaining agreement that covers its union-represented employees. Union pension payments commenced on January 1, 2006.

The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Center's participation in the 1199 Plan for the year ended December 31, 2012 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2012 is for the 1199 Plan's year-end at December 31, 2012. The zone status is based on information that the Center received from the 1199 Plan and is certified by the actuary of the 1199 Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/ Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreement to which the 1199 Plan is subject. In addition, in July 2009 wage concessions were agreed to by the 1199 Plan to offset a portion of the impact of the increase in annual contributions from contributing members.

8. Pension Plans *(continued)*

Multi Employer Pension Plan (continued)

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2012	Pension Protection Act Zone Status 2011	FIP/RP Status Pending/ Implemented	Contributions by the Center 2012	Contributions by the Center 2011	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/1/11	Green as of 1/1/11	Yes	$741,217	$778,520	No	2015

Form 5500 is not yet available for the plan year ended in 2012.

9. Concentration of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash, investments and accounts receivable.

The Center places its cash with various financial institutions and limits the amount of credit exposure by any one financial institution. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation insurance limit.

The Center's primary sources of revenues are resident service fees from private residents and third-party payors, primarily Medicaid and Medicare. The Center grants credit without collateral to its patients, most of whom are insured under third party payor agreements. The mix of receivables from patients and third party payors at December 31, 2012 was as follows:

Medicaid	61%
Medicare	12%
Private/Commercial insurance	27%
	100%

10. Contingencies

Malpractice

The Center's professional liabilities are covered by commercial insurance. Management believes the Center is adequately covered by insurance and that the outcome of any pending litigation will have no material adverse affect on the Center's financial position.

Legal

The Center is involved in litigation arising in the normal course of business. Management estimates that such matters will be resolved without material adverse effect on the Center's future financial position, liquidity and results from operations.

10. Contingencies *(continued)*

Collective Bargaining Agreement

Approximately 83% of the Center's employees are covered by a collective bargaining agreement. The labor contract is with the Service Employees International Union Local 1199 and expires on April 30, 2015. The agreement covers LPN's, nurses' aides, therapy aides, housekeeping, laundry, dietary and environmental services employees.

Health Care Revenue and Regulatory Compliance

The health care industry is subject to numerous laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for health care revenue will change in the near term and the change could be material to the Center’s financial condition, results of operations and cash flows.

The Center is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the financial statements. In addition, management believes that the Center has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

11. New York State Cash Receipt Assessment

Beginning April 1, 2002, the New York State Health Facility Cash Assessment Program requires designated providers to pay a cash assessment (“assessment”) on substantially all nursing home cash receipts. The rates paid by the Center for the period from January 1, 2011 through December 31, 2012 are as follows:

Period	Rate
01/01/11 - 03/31/11	6.0%
04/01/11 - 12/31/11	7.2%
01/01/12 - 03/31/12	7.2%
04/01/12 - 10/31/12	7.0%
11/01/12 - 12/31/12	6.8%

11. New York State Cash Receipt Assessment *(continued)*

Medicaid reimburses the Center its portion of the assessment related to Medicaid cash receipts up to the 6% assessment rate. Assessments in excess of 6% are not reimbursed by Medicaid.

Medicaid has completed final reconciliation of the assessment through December 31, 2010. As of December 31, 2012, the Center has a balance in the amount of $14,942 due to New York State for the assessment which is included in due to third-party payors in the accompanying statements of financial position.

Revenue recognized by the Center for the years ended December 31, 2012 for the assessment approximated $1.3 million.

12. Functional Expenses

The Center provides general health care services to residents within its geographic location.
Expenses relating to providing these services for the year ended December 31, 2012, were as follows:

Patient care	$ 25,335,087
Administrative and general	2,240,781
	$ 27,575,868

* * * * *

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix B-2

AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF BUENA VIDA CORP.
D/B/A BUENA VIDA CONTINUING CARE AND REHABILITATION CENTER
FOR THE YEAR ENDED DECEMBER 31, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Financial Statements

December 31, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

O'CONNOR DAVIES

PKF

Independent Auditor's Report

Board of Directors
Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

We have audited the accompanying statements of financial position of Buena Vida Continuing Care and Rehabilitation Center (the "Center") for the year ended December 31, 2011 and the related statement of operations and changes in net asset deficit and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2011 and the results of its operations and the changes in its net asset deficit and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Center has incurred and continues to incur significant operating losses and liquidity shortfalls. Management's plans in regard to these matters are also described in note 3 to the financial statements.

O'Connor Davies, LLP

Harrison, New York
August 29, 2012

O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.odpkf.com

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Balance Sheet

December 31, 2011

ASSETS	
Current Assets	
Cash and cash equivalents	$ 674,243
Cash - resident funds	306,074
Resident accounts receivable, net	4,147,428
Assets limited as to use, current portion	1,454,151
Restricted cash due from sponsor, current portion	1,200,000
Prepaid expenses	147,518
Total Current Assets	7,929,414
Assets limited as to use, net of current portion	2,934,901
Restricted cash due from sponsor, net of current portion	1,247,066
Deferred financing costs, net	1,295,949
Fixed assets, net	18,043,375
Other assets	63,446
	$ 31,514,151
LIABILITIES AND NET ASSETS	
Current Liabilities	
Mortgage payable, current portion	$ 1,085,000
Due to third party payors, current portion	1,085,000
Accounts payable and accrued expenses	2,605,339
Accrued compensation and related costs	1,001,605
Resident funds	306,074
Total Current Liabilities	6,083,018
Mortgage payable, net of current portion	27,030,453
Due to third party payors, net of current portion	2,555,953
Total Liabilities	35,669,424
Net Assets (Deficit)	
Unrestricted (Note 12)	(4,155,273)
Total Net Deficit	(4,155,273)
	$ 31,514,151

See notes to financial statements

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Statement of Operations and Changes in Net Assets Deficit

Year Ended December 31, 2011

OPERATING REVENUE	
Net patient service revenue	$ 25,206,435
Other revenues	82,632
Total Operating Revenue	25,289,067
OPERATING EXPENSES	
Salaries	12,773,324
Employee benefits	5,617,263
Supplies and other expense	4,974,418
Depreciation and amortization	1,840,640
Interest expense	1,614,625
Provision for bad debts	150,000
New York State cash receipt assessment	1,288,764
Total Operating Expenses	28,259,034
Deficiency of Operating Revenues Over Operating Expenses	(2,969,967)
OTHER NONOPERATING INCOME	
Interest income	76,023
Change in Unrestricted Net Deficit	(2,893,944)
NET DEFICIT	
Beginning of year (note 12)	(1,261,329)
End of year	$ (4,155,273)

See notes to financial statements

Buena Vida Corp.
d/b/a Buena Vida Continuing Care and Rehabilitation Center

Statement of Cash Flows

Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (2,893,944)
Adjustments to reconcile change in net assets to cash from operating activities	
Depreciation and amortization	1,840,640
Provision for bad debts	150,000
Change in operating assets and liabilities	
Resident accounts receivable	(797,081)
Restricted cash due from sponsor	(5,600)
Prepaid expenses	(51,456)
Other assets	(63,446)
Accounts payable and accrued expenses, compensation and related costs	53,117
Due to third parties	1,434,825
Net Cash from Operating Activities	(332,945)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(408,699)
Use of limited use assets	(83,687)
Net Cash from Investing Activities	(492,386)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on mortgage	(1,035,000)
Net Cash from Financing Activities	(1,035,000)
Net Change in Cash and Cash Equivalents	(1,860,331)
CASH AND CASH EQUIVALENTS	
Beginning of year	2,534,574
End of year	$ 674,243
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for interest	$ 1,515,124

See notes to financial statements

1. Organization

Buena Vida Corp. d/b/a Buena Vida Continuing Care and Rehabilitation Center (the "Center") is a 240-bed nursing home located in Brooklyn, New York. The Center is recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Ridgewood Bushwick Senior Citizens Council, Inc., a New York nonprofit corporation, is the sole member of the Center.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Financial Statement Presentation

Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by the Center is limited by donor imposed stipulations that will be met either by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash.

Residents' Funds

Residents' funds are held by the Center on behalf of the residents. Such funds represent allowances received by residents as well as other residents' funds deposited with the Center for safekeeping. The funds are disbursed by the Center at the request of, or on behalf of residents for their personal use. Interest earned on resident funds is credited to the residents' accounts.

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Grants

Unconditional contributions and grants are reported at fair value at the date the contribution or grant is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Temporarily restricted contributions and grants received and expended in the same fiscal year are reflected as unrestricted revenues. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for Doubtful Accounts

The Center provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts approximated $500,000 at December 31, 2011.

Restricted Cash Due from Sponsor

The sponsor and sole member of the Center, Ridgewood Bushwick Senior Citizens Council, Inc. (Ridgewood Bushwick), holds funds in a separate account for the Center. Interest and dividends earned are credited to the account. The funds are unrestricted and for the exclusive benefit of the Center.

Fair Value of Financial Instruments

The Center follows Financial Accounting Standards Board ("FASB") guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The fair values by input level of the Center's financial instruments are included in note 4 to the financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Center are reported as current assets (See note 4).

Assets limited as to use are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a *"Practical Expedient"* for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Center's interest therein and their classification within Level 2 or 3 is based on the Center's ability to redeem its interest in the near term.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Capitalized Financing Costs

In 2001, the Center incurred financing costs of approximately $3.4 million in connection with the issuance of debt. The deferred financing costs are amortized using the effective interest method. Accumulated amortization amounted to $2.1 million at December 31, 2011 (see note 12).

Fixed Assets

Fixed assets are stated at cost. Items with a cost of $500 or more and useful lives greater than one year are capitalized. Maintenance and repairs of a routine nature are charged against revenue while those that extend the life of existing properties are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated lives by asset class are as follows:

Building and improvements	10-40 years
Fixed equipment	10-40 years
Movable equipment	5-20 years

2. Summary of Significant Accounting Policies *(continued)*

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Center records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized as of December 31, 2011.

Asset Retirement Obligations

The Center accounts for Asset Retirement Obligations ("ARO") in accordance with FASB guidance. FASB defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. At December 31, 2011, the Center has not identified any conditional ARO's requiring accrual.

Net Patient Service Revenue

The Center has agreements with third party payors that provide for payments to the Center at amounts different from its established rates. Payments are generally prospectively determined per-diem amounts. Net patient service revenue is reported at the estimated net realizable amounts from patients and third party payors for services rendered, including retroactive adjustments under reimbursement agreements with third party payors.

New Accounting Pronouncements

In August 2010, the FASB issued new guidance on the presentation of insurance claims and related insurance recoveries, which provides clarification to companies in the health care industry on the accounting for and presentation of professional and similar contingent liabilities. Under the new guidance, these liabilities should be presented on a gross basis, rather than net of insurance recoveries and any estimated insurance recovery should be reflected as a receivable on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. The adoption of this guidance did not affect the Center's financial condition, net result of operations or cash flows.

In September 2011, the FASB issued new disclosure guidance about an employer's participation in a multiemployer plan, which requires employers to provide additional quantitative and qualitative disclosures about an employer's involvement in such plans. The new disclosure requirements are included in the accompanying financial statements (see note 8).

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2008.

Operating Indicator

The statement of operations and changes in net assets includes the caption deficiency of operating revenues over operating expenses. Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses and are included in the operating indicator, deficiency of operating revenues over operating expenses. Changes which are excluded from deficiency of operating revenues over operating expenses, consistent with industry practice, include non-operating revenue and expenses.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 29, 2012.

3. Management's Discussion of Current Economic Environment and Plan to Improve Results of Operations (Unaudited)

For the year ended December 31, 2011, the Center had an operating loss of approximately $2.9 million and a net asset deficiency of $4.2 million. Additionally, the Center continues to experience liquidity shortfalls and operating losses.

Management recognizes the complexity of reimbursement from its primary payor source Medicare and Medicaid and its effect on the financial viability of the Center. Management's plan consists of three approaches to enhance the Center's fiscal viability: (1) focus and monitor all controllable costs associated with personnel; (2) maximize the Center's designation as a "5 Star" skilled nursing facility through modest marketing to increase casemix; (3) secure contracts with Managed Long Term Care providers and Health Maintenance Organizations at market related rates.

Management believes that those initiatives will improve the Center's financial condition and that the Center will be able to meet its obligations as they become due.

4. Assets Limited as to Use

Assets limited as to use are required to be set aside under the terms of the indenture agreement and in accordance with third party payor agreements. Assets limited as to use are for future capital expenditures and mortgage obligation purposes and consist of the following at December 31, 2011:

Debt service fund (a)	$ 1,454,151
Debt service reserve fund (b)	1,276,063
Operating escrow (c)	1,658,838
	$ 4,389,052

(a) Debt service fund – funds set aside to meet the yearly debt service requirement.
(b) Debt service reserve fund – funds set aside to pay the annual debt service if the amount in the debt service fund is insufficient to satisfy the debt service requirements.
(c) Operating escrow – funds set aside for necessary capital purchases.

The composition of assets limited to use at December 31, 2011 categorized by the FASB fair value hierarchy is set forth in the following tables:

Cash and cash equivalents	$ 2,391,206
Level 1 (Quoted Prices in Active Markets)	
U.S. Government obligations	721,783
Level 3 (Unobservable Inputs)	
Guaranteed investment contract (d)	1,276,063
	$ 4,389,052

(d) Guaranteed investment contract (GIC) – The debt service reserve fund, which is held by the Dormitory Authority of the State of New York (DASNY), is invested in a GIC. The GIC earns interest fixed at 5.51% and matures on July 1, 2028. Interest income is credited and subsequently transferred to the debt service fund to meet the yearly debt service requirement. Contract value approximates fair value at December 31, 2011.

During the year ended December 31, 2011, there were no transfers in or out of Levels 1, 2 or 3 of the fair value hierarchy. Approximately $1.3 million was reclassified from Level 1 to Level 3 as of January 1, 2011 due to an error in the classification in the prior year.

The following is a reconciliation of the beginning and ending balances for Level 3 investments for the period ended December 31:

Balance, January 1, 2011	$ 1,276,063
Realized gains (losses)	71,081
Transfers to debt service fund	(71,081)
Balance, December 31, 2011	$ 1,276,063

5. Fixed Assets

Fixed assets consist of the following at December 31, 2011:

Land	$ 66,000
Land improvements	580,671
Building	18,568,564
Building improvements	4,224,626
Fixed equipment	8,963,130
Movable equipment	4,564,670
	36,967,661
Accumulated depreciation	(18,924,286)
	$ 18,043,375

During 2011, approximately $3.9 million of bond issue costs and bond discount, and $1 million in related accumulated amortization expense was reclassified from fixed assets to deferred financing costs and mortgage payable on the balance sheet (note 12).

6. Debt

In 1998 the Center obtained financing from a financial institution. The funding for the financing and related costs was provided by the issuance of tax-exempt bonds through the Dormitory Authority of the State of New York (DASNY).

Interest accrues at rates varying from 5.17% to 5.25% on the unpaid bonds. The debt is secured by the assets of the Center. Annual principal payments are due as follows:

2012	$ 1,085,000
2013	1,140,000
2014	1,200,000
2015	1,260,000
2016	1,320,000
2017 to 2035	22,290,000
	28,295,000
Less unamortized discount	(179,547)
	$ 28,115,453

Total interest expense on the mortgage was $1,614,625 at December 31, 2011.

7. Net Patient Service Revenue

The Center is undergoing audits by NYS Office of the Medicaid Inspector General (OMIG) for rate years 2006 through 2008. The financial outcome of these audits has not been determined.

The Center has agreements with third party payors that provide for payments for services rendered by the Center. A summary of the payment arrangements with the major third party payors follows:

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are at prospectively determined per-diem rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. In addition, a portion of the reimbursement rate is based on the actual capital-related costs of the Center.

Medicare

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined per-diem rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Third party payors retain the right to review and propose adjustments to reimbursement amounts received by the Center. Provision is made in the financial statements for anticipated adjustments that may vary from such revisions.

In the normal course of business, the Center requests revisions to reimbursement amounts received under third party payor agreements. No amounts are recorded unless the Center is reasonably assured that such revision is granted.

The NYS Department of Health ("NYSDOH") revised its Medicaid reimbursement methodology effective April 1, 2009 based on 2002 statewide financial and patient acuity level data that is adjusted using 2009 facility specific patient acuity levels. As required under Federal law, NYSDOH requested and received final approval of the revised methodology from the Centers for Medicare and Medicaid Services in 2011. For the year ended December 31, 2011, net patient service revenue increased by approximately $250,000, due to a change in estimate from the prior year to reflect the most recent information available.

Revenue from the Medicaid and Medicare programs accounted for approximately 74% and 16%, respectively of the Center's net patient revenue for the year ended 2011. The current Medicaid and Medicare programs are based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Center also has entered into payment agreements with commercial insurance carriers. The basis for payment to the Center under these agreements generally is prospectively determined per-diem rates.

8. Pension

403(b) Plan

The Center has a 403(b) elective deferral retirement program, which has a 4% employer contribution for nonunion members who qualify. Pension expense for this plan in 2011 was $143,679.

Multi Employer Pension Plan

The Center contributes to the 1199 SEIU Health Care Employees Pension Fund ("1199 Plan"). The 1199 Plan is governed by the terms of a collective-bargaining agreement that covers its union-represented employees. Union pension payments commenced on January 1, 2006.

The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Center's participation in the 1199 Plan for the year ended December 31, 2011 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2011 is for the 1199 Plan's year-end at December 31, 2011. The zone status is based on information that the Center received from the 1199 Plan and is certified by the actuary of the 1199 Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/ Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreement to which the 1199 Plan is subject. In addition, in July 2009 wage concessions were agreed to by the 1199 Plan to offset a portion of the impact of the increase in annual contributions from contributing members.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2011	Pension Protection Act Zone Status 2010	FIP/RP Status Pending/ Implemented	Contributions by the Center 2011	Contributions by the Center 2010	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/1/11	Red as of 1/1/10	Yes	$778,520	$603,919	No	2015

Form 5500 is not yet available for the plan year ended in 2011.

9. Concentration of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash, investments and accounts receivable.

The Center places its cash with various financial institutions and limits the amount of credit exposure by any one financial institution. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation insurance limit.

The Center's primary sources of revenues are resident service fees from private residents and third-party payors, primarily Medicaid and Medicare. The Center grants credit without collateral to its patients, most of whom are insured under third party payor agreements. The mix of receivables from patients and third party payors at December 31, was as follows:

Medicaid	68%
Medicare	7%
Private/Commercial insurance	25%
	100%

10. Contingencies

Malpractice

The Center’s professional liabilities are covered by commercial insurance. Management believes the Center is adequately covered by insurance and that the outcome of any pending litigation will have no material adverse affect on the Center’s financial position.

Legal

The Center is involved in litigation arising in the normal course of business. Management estimates that such matters will be resolved without material adverse effect on the Center’s future financial position, liquidity and results from operations.

Collective Bargaining Agreement

Approximately 83% of the Center's employees are covered by a collective bargaining agreement. The labor contract is with the Service Employees International Union Local 1199 and expires on April 30, 2015. The agreement covers LPN's, nurses' aides, therapy aides, housekeeping, laundry, dietary and environmental services employees.

10. Contingencies *(continued)*

Health Care Revenue and Regulatory Compliance

The health care industry is subject to numerous laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for health care revenue will change in the near term and the change could be material to the Center's financial condition, results of operations and cash flows.

The Center is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the financial statements. In addition, management believes that the Center has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

11. New York State Cash Receipt Assessment

An assessment was imposed on substantially all nursing home cash receipts effective April 1, 2002 as part of the New York State Health Care Work Force Recruitment and Retention Act of 2002. In April 2011, the assessment rate was adjusted to 7.2% from 6%. The rate was 6% for all of 2010. Medicaid rates were increased to reimburse nursing homes the portion of the assessment related to Medicaid cash receipts up to the 6% assessment rate with the increased portion of the rate non-reimbursable. Revenue recognized by the Center approximated $1,290,000 for 2011.

12. Functional Expenses

The Center provides general health care services to residents within its geographic location. Expenses relating to providing these services for the year ended December 31, were as follows:

Patient care	$ 25,931,842
Administrative and general	2,327,192
	$ 28,259,034

12. Restatement of Financial Statements

During 2011 management identified inconsistencies in the accounting methods used and generally accepted accounting principles (GAAP) for certain items reported in the 2010 and prior financial statements. As a result, the Center has restated its opening net assets (deficit) as of December 31, 2010 as follows:

	Unrestricted	Temporarily Restricted	Total
Net (deficit) assets at December 31, 2010	$ (2,064,448)	$ 2,441,466	$ 377,018
Adjustments to opening net assets			
Reclassification from temporarily restricted to unrestricted (a)	2,441,466	(2,441,466)	-
Amortization expense (b)	(1,394,412)	-	(1,394,412)
Union benefit expense (c)	(243,935)	-	(243,935)
Net deficit at December 31, 2010, as restated	$ (1,261,329)	$ -	$ (1,261,329)

a) Net Assets Classification

The Center has restricted cash due from sponsor (see note 2), which are for the exclusive benefit and unrestricted use of the Center. In the previously issued December 31, 2010 financial statements, these funds were recorded as temporarily restricted. Accordingly, approximately $2.4 million was reclassified, increasing unrestricted net assets and decreasing temporarily restricted net assets at January 1, 2011.

b) Amortization of Deferred Financing Costs and Bond Discount

As part of the 1998 Bonds financing, approximately $3.5 million of deferred financing costs and $0.5 million of bond discount were erroneously included within fixed assets. Previously, the Center had been amortizing these costs using the straight-line method whereas GAAP requires the use of the effective interest method. The impact of the effective interest calculation resulted in additional amortization expense of $1.3 million and $0.1 million for deferred financing costs and bond discount, which decreased unrestricted net assets (See notes 2 and 6).

c) Union Benefit Expense

As of December 31, 2010, the Center under-accrued their union benefit payments. During 2011, the Center recorded an adjustment for union benefit expense relating to prior years which amounted to approximately $244,000 and decreased unrestricted net assets at January 1, 2011.

The total impact of the above adjustments on unrestricted net assets (deficit) at December 31, 2010 was a decrease of approximately $1.6 million. The portion of the adjustment relating to 2010 alone approximated $138,000.

* * * * *

Appendix C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2013 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Termination.

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

(Section 43)

Construction of the Project.

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Loan Agreement, the Institution shall complete 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 of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority and SONYMA.

(Section 5)

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

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

(Section 6)

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

1. The Institution unconditionally agrees to maintain in the Debt Service Fund and to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

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

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

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

(d) On the tenth day of each month commencing on the tenth day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on the Bonds coming due on such July 1; provided, however, that, if with respect to the Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on such Bonds, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of monthly payment dates prior to such July 1;

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

(f) On or before the date of delivery of the Series 2013 Bonds, an amount equal to the Department of Health up-front fee, and on August 1, 2013, and the first (1st) day of each month thereafter, an amount equal to one-twelfth (1/12) of the annual Department of Health Fee, each as described on Schedule A to the Loan Agreement;

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

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

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

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

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

2. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Bond Series Certificate to the contrary (except as otherwise specifically provided for in this paragraph), (i) all moneys paid by the Institution to the Trustee pursuant to the provisions of the Loan Agreement summarized in paragraphs (c), (d), (e) and (i) above (other than moneys received by the Trustee pursuant to Section 8.06 of the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this paragraph) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Bondholders, except in respect to the payment to the Institution by the Trustee as provided for in Section 5.06 of the Resolution.

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

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

4. The Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided by the Loan Agreement. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

5. The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to Section 9 of the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under Section 29 of the Loan Agreement arising out of the Institution's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

6. The Institution, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with Section 12.01 of the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund made pursuant to paragraph 2 of Section 9 of the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with Sections 5.10 and 12.01 of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution or the Series Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with Section 12.01 of the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with Section 12.01 of the Resolution.

(Section 9)

Reserve Funds.

The Institution agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement, provided that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such fund only after the notice required by subdivision 4 of Section 5.08 of the Resolution is given. Deposits, withdrawals and substitutions of moneys, Government Obligations and Exempt Obligations in the Debt Service Reserve Fund shall be made in accordance with the Loan Agreement and with Section 5.08 of the Resolution.

The delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities from time to time made by the Institution pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution's obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Institution authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations or other Securities to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Bond Series Certificate.

(Section 10)

Security Interest in Gross Receipts.

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

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

(Section 11)

Collection of Gross Receipts.

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

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

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

(Section 12)

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

In connection with the delivery of the Refunded Bonds, the Institution executed and delivered to the Authority the 1998 Mortgage, in recordable form, mortgaging the Mortgaged Property. In connection with the issuance of the Bonds, the Authority and the Institution received written consent of SONYMA and the Department of Health to amend the 1998 Mortgage and prior to the delivery of the Bonds shall amend the 1998 Mortgage. The 1998 Mortgage as amended shall continue to constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances.

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

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance.

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

The Institution covenants that title to the Project and all Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

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

(Section 14)

Consent to Pledge and Assignment by the Authority.

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

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into the Loan Agreement and the Undertaking, to incur the indebtedness contemplated thereby, to make and deliver the Mortgage Modification Agreement, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Gross Receipts as provided under the Loan Agreement and in the Mortgage and the moneys, Government Obligations, Exempt Obligations and other Securities delivered pursuant to Section 10 of the Loan Agreement, in each case, in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee, for the benefit of the Bondholders, granted or made pursuant to the Loan Agreement or to the Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith (except to the extent explicitly permitted by the Loan Agreement or required by law), other than the Permitted Encumbrances, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution

further covenants that the provisions of the Loan Agreement are and shall be, to the extent permitted by law, valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Gross Receipts as provided in the Loan Agreement and in the Mortgage and the moneys, Government Obligations, Exempt Obligations and other Securities delivered pursuant to Section 10 of the Loan Agreement and all of the rights of the Authority and Trustee, for the benefit of the Bondholders, under the Loan Agreement, the Resolution and the Mortgage against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Mortgage Modification Agreement, and the consummation of the transactions contemplated by the Loan Agreement and by the Mortgage Modification Agreement and compliance with the provisions of the Loan Agreement and the Mortgage Modification Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Gross Receipts pursuant to the Loan Agreement and in the Mortgage or the moneys, Government Obligations, Exempt Obligations and other Securities delivered to the Trustee pursuant to Section 10 of the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

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

(Section 15)

Tax-Exempt Status.

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) to the extent relevant to the Institution’s status as an organization described in Section 501(c)(3) of the Code (a) such letter or other notification has not been modified, limited or revoked, (b) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, and (c) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (iv) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other nonexempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Series 2013A Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Restrictions on Religious Use.

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

(Section 21)

Covenant as to Insurance.

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

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

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

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

(Section 23)

Damage or Condemnation.

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

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution, the Authority and SONYMA agree in writing that the Project, the Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project, the Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority and SONYMA. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority and SONYMA may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institution; or

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

(Section 24)

Taxes and Assessments.

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

Agreement, under the Resolution or under the Mortgage, and the Institution agrees to reimburse the Authority for any such payment, with interest thereon from the date payment was made by the Authority at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by the Authority.

(Section 25)

Defaults and Remedies.

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

(a) the Institution shall default in the timely payment of any amount payable pursuant to Section 9 of the Loan Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid by the Institution in accordance with the Loan Agreement or with the Resolution;

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

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

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

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

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

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

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

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

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

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

(l) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Bondholders shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal.

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

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

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

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

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

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

(f) realize upon any security interest which the Authority may then have in the pledge and assignment of the Gross Receipts and the rights to receive the same, as provided in Sections 11 and 12 of the Loan Agreement, and by any one or more of the following actions: (i) enter the Institution's premises and, to the extent permitted by law, examine and make copies of the financial books and records of the Institution relating to the Gross Receipts and, to the extent of the assigned Gross Receipts, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal, and Sinking Fund Installments, if any, coming due with respect to the Bonds on the next January 1 and July 1, subject to the extent of Gross Receipts that may be accelerated, and may continue to do so commencing on each January 1 and July 1 to the extent of amounts due to the Authority under the Loan Agreement on the next January 1 and July 1, with respect to Gross Receipts, until such amounts are fully collected; provided, however, that written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors; and provided further that until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Gross Receipts owing from its account debtors; (iii) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance thereof and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (iv) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Gross Receipts in an amount equal to the Gross Receipts assigned under the Loan Agreement within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement including the fees and expenses of the Authority; and provided further that the Authority, with the approval of the Department of Health, may authorize the Institution to make withdrawals from such fund or account for its corporate purposes; and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (v) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid Gross Receipts assigned under the Loan Agreement, or release, wholly or partially, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid Gross Receipts assigned under the Loan Agreement or the proceeds thereof;

(g) to the extent permitted by law, (i) enter upon the Project and complete the construction of such Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect such Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution, (ii) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of the Project, and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of paragraph 2(g) of Section 29 of the Loan Agreement, (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of the Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of the Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of paragraph 2 (g) of Section 29 of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney in fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by paragraph 2(g) of Section 29 of the Loan Agreement during the term thereof;

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

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

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

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

(Section 29)

Investment of Moneys.

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

(Section 31)

Limitation on Agreements.

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

(Section 33)

Arbitrage.

The Institution covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the proceeds of the Series 2013A Bonds, which would cause the Series 2013A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Series 2013A Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not purchase Series 2013A Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in Section 7.12 of the Resolution.

(Section 34)

Amendments and Waivers to Loan Agreement.

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

(Section 41)

Appendix D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution and Bonds Constitute a Contract.

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

(Section 1.03)

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

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

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

(Section 1.04)

Additional Obligations; Alternative Parity Indebtedness.

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

(Section 2.04)

Pledge of Revenues.

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

(Section 5.01)

Establishment of Funds.

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

(1) Construction Fund:

(2) Debt Service Fund;

(3) Debt Service Reserve Fund; and

(4) Arbitrage Rebate Fund.

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

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof.

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

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

(Section 5.03)

Application of Moneys in the Construction Fund.

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

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

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

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

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

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

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

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

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

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

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

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

(Section 5.04)

Enforcement of SONYMA Insurance Policy.

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

(Section 5.05)

Deposit of Revenues and Allocation Thereof.

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

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

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

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

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

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

(Section 5.06)

Debt Service Fund.

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

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

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

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

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

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

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

(Section 5.07)

Debt Service Reserve Fund.

(1) The Trustee shall deposit to the credit of the Debt Service Reserve Fund or any account thereof, such proceeds of the sale of Bonds as shall be prescribed in the Resolution, the Series Resolution or the Bond Series Certificate relating to such Bonds, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund. Notwithstanding any other provision of this Resolution to the contrary, moneys held for the credit of the Debt Service Reserve Fund may be invested in Permitted Investments; provided, however, that any investment of such moneys shall mature on or before the next succeeding interest payment date; provided further, however, that such limitation on the maturity of a Debt Service Reserve Fund investment shall not apply to any Investment Agreement described in clause (vi) of

Permitted Indebtedness. In the event that moneys held for the credit of the Debt Service Reserve Fund shall be invested in such an Investment Agreement, and such Investment Agreement shall not have been rated by a Rating Agency rating the applicable Series of Bonds, the Authority agrees to notify each such Rating Agency of such investment upon the deposit or crediting of such Investment Agreement to the Debt Service Reserve Fund.

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

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

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

(Section 5.08)

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

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

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

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

(4) Notwithstanding the provisions of paragraph 3 of Section 5.10 of the Resolution, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding

Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision for the payment of Outstanding Bonds at the maturity or redemption date thereof pursuant to the defeasance provisions of the Resolution, the Authority may request the Trustee to take such action consistent with the defeasance provisions of the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the defeasance provisions of the Resolution. The Trustee, upon receipt of the irrevocable instructions of the Authority required by the defeasance provisions of the Resolution and the request of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such instructions and request.

(Section 5.10)

Arbitrage Rebate Fund.

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

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

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

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds.

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

(Section 5.12)

Security for Deposits.

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

(Section 6.01)

Investment of Funds Held by the Trustee.

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

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

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

(4) The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell or present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraph 1 of Section 6.02 of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

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

(Section 6.02)

Payment of Principal and Interest.

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

(Section 7.01)

Further Assurance.

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

(Section 7.04)

Accounts and Audits.

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

(Section 7.05)

Creation of Liens.

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

(Section 7.06)

Enforcement of Duties and Obligations of the Institution.

The Authority shall take all legally available action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of the Institution required by the Loan Agreement in the manner and at the times provided in the Loan Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Loan Agreement (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Owners of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund.

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of the

Project and any moneys received in respect of damage to or condemnation of the Project shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds.

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is by the Resolution appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of the Resolution summarized in this paragraph shall be subject to the provisions of Section 3.01 of the Resolution.

(Section 7.09)

Amendment of Loan Agreement.

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Owners of the Outstanding Bonds without the prior written consent of SONYMA and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds, the consent of the Owners of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under the Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in Section 7.10 of the Resolution, the Loan Agreement may be amended, changed, modified or altered without the consent of the Owners of Outstanding Bonds or the Trustee but with the prior written consent of SONYMA. Specifically, the Loan Agreement may be amended, changed, modified or altered with the consent of the Trustee and SONYMA, but without the consent of the Owners of Outstanding Bonds, to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise providing, furnishing and equipping of any facilities constituting a part of the Project or which may be added to the Project or the issuance of the Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Upon execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with the Trustee.

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

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

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

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

Insurance Policy, and shall, or shall cause the Trustee to, take any and all action necessary or appropriate to ensure that all benefits of the SONYMA Insurance Policy are paid in cash in accordance with all applicable regulations of SONYMA and the terms of the SONYMA Insurance Policy.

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

(Section 7.11)

Adoption of Series Resolutions.

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

(Section 9.01)

Modification and Amendment Without Consent.

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

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

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

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

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

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

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

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondowners.

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

(Section 9.03)

General Provisions Relating to Supplemental Resolutions.

The Resolution or any Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of Article IX and Article X of the Resolution. Nothing contained in Article IX or Article X of the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 7..04 of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

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

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

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

(Section 9.04)

Powers of Amendment.

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

(Section 10.01)

Consent of Bondowners.

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 10.01 of the Resolution to take effect when and as provided by the provisions of the Resolution summarized in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to the Bondowners for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondowners (but failure to mail such copy to any particular Bondowner shall not affect the validity of the Supplemental Resolution when consented to as provided in the provisions of the Resolution summarized in this paragraph). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consent of the Owners of the percentages of Outstanding Bonds specified in Section 10.01 of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding, or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 13.01 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 13.01 of the Resolution shall be conclusive proof that the consents have been given by the Owners of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondowner shall be binding upon the Bondowner giving such consent and, anything in Section 13.01 of the Resolution to the contrary notwithstanding, upon any subsequent Bondowner and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Bondowner giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the provisions of the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in Section 10.02 of the Resolution, shall be given to the Bondowners by the Authority by mailing such notice to the Bondowners (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in Section 10.02 of the Resolution) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee in provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph). If such notice is published, the Authority shall file with the Trustee proof of the publication thereof, and, if the same shall have been mailed to the Owners of Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by Section 10.02 of the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Owners of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section 10.02)

Modifications by Unanimous Consent.

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing with the

Trustee by the Authority of a copy of a Supplemental Resolution certified by the Authority and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 10.02 of the Resolution except that no notice to the Bondowners either by mailing or publication shall be required.

(Section 10.03)

Rights of SONYMA.

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

(Section 10.07)

Events of Default.

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

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

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) The Authority shall default in the due and punctual performance of the covenants contained in Section 7.12 of the Resolution and, as a result thereof, the interest on the Series 2013A Bonds shall no longer be excludable from gross income under Section 103 of the Code; or

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

(Section 11.02)

Acceleration of Maturity.

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

(Section 11.03)

Enforcement of Remedies.

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

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of the Bonds, with interest on the overdue payment of the principal of and interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce any judgment or decree against the Authority but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondowners.

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution, unless such Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared by the Resolution, in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one or more Owners of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Owners of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Owner.

(Section 11.08)

Defeasance.

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

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

released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

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

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

(Section 12.01)

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix E

FORM OF APPROVING OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

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

[Letterhead of Harris Beach PLLC]

[Date of Closing]

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

Re: $25,785,000
Dormitory Authority of the State of New York
Buena Vida Nursing Home Revenue Bonds, Series 2013

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of $25,510,000 aggregate principal amount of Buena Vida Nursing Home Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and $275,000 aggregate principal amount of Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable) (the "Series 2013B Bonds", and collectively, with the Series 2013A Bonds, the "Series 2013 Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2013 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the Act, (ii) the Authority's Buena Vida Nursing Home Revenue Bond Resolution, duly adopted by the Authority on May 15, 2013 (the "General Resolution"), (iii) the Authority's Series 2013A Resolution Authorizing up to $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013A, duly adopted by the Authority on May 15, 2013 (the "Series 2013A Resolution"), (iii) the Authority's Series 2013B Resolution Authorizing up to $27,210,000 Buena Vida Nursing Home Revenue Bonds, Series 2013B (Federally Taxable), duly adopted by the Authority on May 15, 2013 (the "Series 2013B Resolution", and collectively with the Series 2013A Resolution, the "Series Resolutions"; and together with the General Resolution, the "Resolutions"), and (iv) a Bond Series Certificate, dated June 20, 2013 (the "Bond Series Certificate"), delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2013 Bonds.

The Series 2013 Bonds are being issued for the purposes set forth in the Resolutions. The Series 2013 Bonds are separately secured each other and from all other Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the Resolutions.

The Series 2013 Bonds are dated their date of delivery and bear interest payable on January 1 and July 1 of each year until maturity, commencing January 1, 2014. The Series 2013 Bonds will mature on July 1, in the years, and will bear interest at the respective rates per annum, as set forth in the Bond Series Certificate.

The Series 2013 Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. The Series 2013A Bonds shall be lettered "RA-" and numbered consecutively from one upward in order of issuance. The Series 2013B Bonds shall be lettered "RB-" and numbered consecutively from one upward in order of issuance.

The Series 2013 Bonds are subject to optional redemption prior to maturity and purchase in lieu of optional redemption as provided in the Bond Series Certificate.

The Authority and Buena Vida Corp. (the "Institution") have entered into a Loan Agreement, dated as of May 15, 2013 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2013 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal of, or interest on, the Series 2013 Bonds or to maintain the Debt Service Reserve Account established for each of the Series 2013A Bonds and the Series 2013B Bonds at their respective requirements have been pledged by the Authority for the benefit of the Holders thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2013A Bonds in order that interest thereon be and remain not included in gross income for federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities financed and refinanced with the Series 2013A Bonds by an organization described in Section 501(c)(3) of the Code or governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax and Arbitrage Certificate, dated the date hereof, of the Authority and the Tax Certificate, dated the date hereof, of the Institution (collectively, the "Tax Certificates"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates, interest on the Series 2013A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2013A Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2013A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificates or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2013A Bonds may affect the tax status of interest on the Series 2013A Bonds. Further, although interest on the Series 2013A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2013A Bond depending upon the tax status of such holder and such holder's other items of income and deduction. We have not been requested to review and have not reviewed any matter or conducted any investigation or examination relating to the federal, state or local tax consequences with respect to the ownership or disposition of the Series 2013 Bonds, or the accrual or receipt of interest thereon, and, accordingly, except as stated in paragraphs 5 and 6 herein, we take no responsibility therefor and express no opinion in connection therewith.

We have also examined one of the Series 2013A Bonds and one of the Series 2013B Bonds as executed and authenticated.

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

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2013 Bonds thereunder.

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

3. The Series 2013 Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2013 Bonds constitute legal, valid and binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Act and the Resolutions.

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

5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2013A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. We note, however, that interest on the Series 2013A Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The difference between the principal amount of the Series 2013A Bonds maturing July 1, 2022 and July 1, 2023 (collectively, the "Discount Bonds"), and the initial reoffering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds.

6. Under existing statutes, including the Act, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any of its political subdivisions.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions, the Series 2013 Bonds and the Loan Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) or as to the availability of any particular remedy, and except that the availability of the rights for the specific performance or injunctive relief may be subject to the discretion of the court.

In rendering the foregoing opinions, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2013 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2013 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • BUENA VIDA NURSING HOME REVENUE BONDS, SERIES 2013A AND SERIES 2013B (FEDERALLY TAXABLE)

FSC
www.fsc.org
MIX
From responsible sources
FSC™ C017146

Printed by: ImageMaster
www.ImageMaster.com