

Moody's: Aa1/VMIG1
Standard & Poor's: AA+/A-1+
(See "Ratings" herein)

EXISTING ISSUE
REOFFERED



\$10,025,000		
DORMITORY AUTHORITY OF THE STATE OF NEW YORK HIGHLAND COMMUNITY DEVELOPMENT CORPORATION		
REVENUE BONDS, 1994B ISSUE		
CUSIP ⁽¹⁾ 649903Q61		
Date of Reoffering: July 1, 2008	Price 100%	Due: July 1, 2023

Payment and Security: The Highland Community Development Corporation Revenue Bonds, 1994B Issue (the "Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from, and secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of January 26, 1994 (the "Loan Agreement") between Highland Community Development Corporation (the "Institution") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund and the Reimbursement Account of the Debt Service Fund) established under the Authority's Revenue Bond Resolution (Highland Community Development Corporation 1994B Issue) adopted January 26, 1994 (the "Resolution").

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, amounts sufficient to pay the principal and Redemption Price of and interest on the Bonds as such payments become due.

The Bonds are secured by an irrevocable, transferable direct pay letter of credit as extended and amended (the "Letter of Credit") issued by HSBC Bank USA, National Association (the "Bank") to be held by The Bank of New York, New York, New York, as Trustee and Tender Agent.



The Letter of Credit will permit the Trustee to draw an amount sufficient to pay, when due, the principal, Sinking Fund Installments, Purchase Price and Redemption Price of and up to 50 days' interest on the Bonds at the Maximum Rate of 12% per annum. The Letter of Credit will expire (subject to earlier termination) on July 16, 2009, but may be extended or replaced as described therein.

The Bonds are not a debt of the State of New York nor is the State liable thereon. The Authority has no taxing power.

Description: The interest rate on the Bonds will be converted to the Weekly Rate and the Bonds will be reoffered on July 1, 2008 (the "Conversion Date"). The Bonds will be reoffered as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest at the Weekly Rate during each Interest Period commencing on the Conversion Date until the Bonds are converted to another interest rate mode. The initial Interest Period will commence on the Conversion Date and end on Tuesday, July 8, 2008. Each subsequent Interest Period on the Bonds bearing interest at the Weekly Rate will commence on the Wednesday following the end of the immediately preceding Interest Period and end on the Tuesday of the following week. The Bonds will bear interest from the Conversion Date at the Weekly Rate determined on Tuesday of each week, or the next preceding Business Day if such Tuesday is not a Business Day, payable in arrears on the first Wednesday of each calendar month, commencing on August 6, 2008, for so long as the Bonds bear interest at a Weekly Rate.

The method of determining the interest rate to be borne by the Bonds may be changed to other Rate Modes at the times and in the manner set forth herein. Unless otherwise set forth herein, the descriptions of the Bonds and the related documents included herein generally relate only to the terms and provisions which are applicable while the Bonds bear interest at a Weekly Rate.

The Bonds have been issued 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 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal, Sinking Fund Installments, Purchase Price or Redemption Price of and interest on the Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See "PART 3 - THE BONDS - Book-Entry Only System" herein. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references to the Holders (except under "PART 8—TAX-EXEMPTION" herein) or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Tenders for Purchase and Redemption: The Bonds are subject to tender for optional and mandatory purchase and optional and mandatory redemption prior to maturity as more fully described herein.

Tax Exemption: Concurrently with the original issuance and delivery of the Bonds, Brown & Wood, New York, New York (now Sidley Austin LLP), Bond Counsel, delivered its opinion (the "Approving Opinion") to the effect that as of the date of issuance of the Bonds under then existing law, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants regarding the use, expenditure and investment of the Bond proceeds and timely payment of certain investment earnings to the United States Treasury, interest on the Bonds would not be includable in the gross income of the owners of the Bonds for federal income tax purposes. In the Approving Opinion, Brown & Wood also delivered its opinion that interest on the Bonds is exempt from personal income taxes of the State and its political subdivisions including The City of New York and the City of Yonkers. The Approving Opinion has not been updated or reissued in connection with the conversion of the interest rate on the Bonds to the Weekly Rate and remarketing of the Bonds. On July 1, 2008, the date that the interest rate on the Bonds is to be converted to the Weekly Rate, Sidley Austin LLP, Bond Counsel, will deliver an opinion to the effect that the change in the method of determining the interest rate on the Bonds to the Weekly Rate will not in and of itself impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Bond Counsel will not express an opinion regarding the current status of such interest for federal income tax purposes. See "PART 8 - TAX EXEMPTION" herein regarding certain other tax considerations.

In connection with the change in the method of determining the interest rate for the Bonds, certain legal matters will be passed upon by Sidley Austin LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Institution by its counsel, Nixon Peabody, LLP, Rochester, New York. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. Certain legal matters will be passed upon for the Bank by its counsel, Harter Secrest & Emery LLP, Rochester, New York. The Authority expects to complete the conversion and remarketing of the Bonds through DTC in New York, New York on July 1, 2008.



June 23, 2008

(1) A new CUSIP number has been assigned by an organization not affiliated with the Authority or the Institution and is included solely for the convenience of the Holders of the Bonds. Neither the Authority nor the Institution is responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Bonds or as indicated above.

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

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

The Institution has reviewed the parts of this Reoffering Circular describing the Institution. It is a condition to the sale of and the delivery of the Bonds that the Institution certify to the Remarketing Agent and the Authority that, as of the date of this Reoffering Circular and of delivery of the Bonds, 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 representation as to the accuracy or completeness of any other information included in this Reoffering Circular.

Other than with respect to information concerning the Bank contained in Appendix E none of the information in this Reoffering Circular has been supplied or verified by the Bank, and the Bank makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax status of the interest on the Bonds.

EXCEPT FOR THE VERY LIMITED DESCRIPTION OF THE INSTITUTION CONTAINED HEREIN, NO INFORMATION WITH RESPECT TO THE INSTITUTION (FINANCIAL OR OTHERWISE) IS INCLUDED IN THIS REOFFERING CIRCULAR, AND THE INSTITUTION MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE BONDS SOLELY UPON THE CREDIT OF THE BANK.

References in this Reoffering Circular to the Act, the Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution and the Loan Agreement are on file with the Authority and the Trustee.

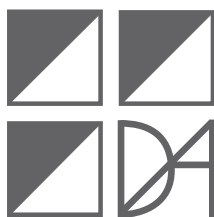
The order and placement of material in this Reoffering Circular, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Reoffering Circular, including its appendices, must be considered in its entirety.

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

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

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DORMITORY AUTHORITY - STATE OF NEW YORK
MICHAEL T. CORRIGAN – ACTING EXECUTIVE DIRECTOR

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REOFFERING CIRCULAR RELATING TO
\$10,025,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
HIGHLAND COMMUNITY DEVELOPMENT CORPORATION
REVENUE BONDS, 1994B ISSUE

PART 1 – INTRODUCTION

Purpose of the Reoffering Circular

The purpose of this Reoffering Circular, including the cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the “Authority”) and the Highland Community Development Corporation (the “Institution”), in connection with the reoffering of \$10,025,000 principal amount of the Authority’s Highland Community Development Corporation Revenue Bonds, 1994B Issue (the “Bonds”) issued under and pursuant to the Authority’s Revenue Bond Resolution relating to the Bonds, dated January 26, 1994.

On March 24, 1994, \$13,000,000 aggregate principal amount of Bonds, together with \$7,500,000 Highland Community Development Corporation Revenue Bonds, 1994A Issue (the “1994A Issue”) were issued by the Authority pursuant to the Resolution and the Act. Proceeds from the Bonds were used to finance the construction of 96 independent living units, 48 enriched housing units and a common area and constituted a “facility for the aged” under the Act. The Bonds were initially issued as variable interest rate bonds bearing interest at the Term Rate. The 1994A Issue is no longer outstanding.

Pursuant to the terms of the Resolution, the Institution has exercised its option to convert on July 1, 2008 (the “Conversion Date”) the Bonds to the Weekly Rate interest rate mode. From and after the Conversion Date, the Bonds will bear interest at a Weekly Rate. On the Conversion Date, the \$10,025,000 aggregate principal amount of Outstanding Bonds will be subject to mandatory tender by the Holders thereof for purchase at a price equal to 100% of the principal amount thereof, plus accrued interest.

The following is a brief description of certain information concerning the Bonds, the Authority, the Institution and the Bank. A more complete description of such information and additional information that may affect decisions to invest in the Bonds is contained throughout this Reoffering Circular, which should be read in its entirety. Certain terms used in this Reoffering Circular are defined in Appendix A hereto. Unless otherwise set forth herein, the descriptions of the Bonds and the related documents included herein generally relate only to the terms and provisions which are applicable while the Bonds bear interest at the Weekly Rate.

Authorization of Issuance

The Bonds were issued pursuant to the Resolution and the Act. No additional Bonds may be issued pursuant to the Resolution. See PART 3 – “THE BONDS.”

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 and not-for-profit institutions. See “PART 5 - THE AUTHORITY.”

The Institution

Highland Community Development Corporation (the “Institution”) is a not-for-profit corporation that was formed by Highland Hospital of Rochester (the “Hospital”), as the sole member of the Institution, for the purpose of developing and operating a retirement community in Pittsford, New York. See “PART 4 – THE INSTITUTION.”

The Bonds

The Bonds being reoffered will bear interest from the Conversion Date at the Weekly Rate payable in arrears on the first Wednesday of each calendar month commencing on August 6, 2008 until such time, if any, as the interest rate mode on the Bonds is changed. The Bonds mature on July 1, 2023.

The Weekly Rate will be determined on the Business Day preceding the Conversion Date and on the Tuesday of each week thereafter, or the next preceding Business Day if such Tuesday is not a Business Day. Interest on the Bonds, while bearing interest at the Weekly Rate, is payable on the first Wednesday of each calendar month. At the election of the Institution, the Bonds may be converted to bear interest in another interest rate mode, including the Fixed Rate mode, which interest is to be determined and payable as described in the Resolution. See “PART 3 - THE BONDS.”

The Bonds are subject to tender for purchase at the option of the Holders on any Business Day during a Weekly Rate Period upon not less than seven days’ notice, and mandatory tender upon conversion to another interest rate mode or upon the expiration or termination of the Letter of Credit then in effect, in each case at a Purchase Price equal to the principal amount of the Bonds to be purchased, plus, except as described herein, accrued interest, if any, to the Purchase Date. Such purchases are payable from proceeds of the remarketing of the Bonds, from moneys obtained under the Letter of Credit then in effect for the Bonds and from moneys furnished by or on behalf of the Institution in accordance with the Resolution and Loan Agreement. RBC Capital Markets Corporation has been appointed as the Remarketing Agent for the Bonds.

For a more complete description of the Bonds, the determination of interest rates, conversion to another interest rate mode, optional and mandatory tenders, and redemption provisions, see “PART 3 - THE BONDS.”

Payment of the Bonds

The Bonds are special obligations of the Authority payable solely from proceeds received by the Trustee from drawings under the Letter of Credit and certain payments to be made by the Institution under the Loan Agreement, which payments are pledged and assigned to the Trustee. The Loan Agreement is a general obligation of the Institution. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS - Payment of the Bonds.”

Security for the Bonds

The funds and accounts established by the Resolution (other than the Reimbursement Account of the Debt Service Fund and the Arbitrage Rebate Fund) are pledged and assigned to the Trustee as security for the payment of Principal, Sinking Fund Installments, Purchase Price, Redemption Price of and interest on the Bonds.

Obligations of the Institution under the Loan Agreement are secured by the Mortgage, and by a security interest in Monthly Service Charges granted by the Institution to the Authority under the Assignment of Rents and assigned to the Trustee. The respective rights of the Authority, the Trustee and the Bank with regard to the Mortgage and the Assignment of Rents are controlled by the terms of the Intercreditor Agreement.

The Bonds are further secured and payable from amounts to be drawn under an irrevocable, transferable direct pay letter of credit issued by HSBC Bank USA, National Association (the “Bank”), which is to be extended and amended as of the Conversion Date (as extended and amended, the “Letter of Credit”).

The Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Bonds except for the

Authority's responsibility to make payments from moneys received from the Institution pursuant to the Loan Agreement and from amounts held in the funds and accounts under the Resolution and pledged therefor.

The Letter of Credit

Principal, Sinking Fund Installments and Redemption Price of, and interest on, the Bonds will be paid from funds drawn under the Letter of Credit. The Purchase Price of tendered Bonds will also be paid from funds drawn under the Letter of Credit to the extent that cash proceeds from the remarketing of such tendered Bonds are not available therefor. Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of required documentation, the amount necessary to pay the principal, Sinking Fund Installments, Redemption Price and Purchase Price of, and up to 50 days' interest on, the Bonds computed at the Maximum Rate of 12% per annum. The Letter of Credit will expire on July 16, 2009 or earlier upon the occurrence of certain events described herein. See "PART 2 – SOURCE OF PAYMENT AND SECURITY" and "Appendix E – The Bank."

The Mortgage

The Institution's obligations to the Authority under the Loan Agreement in relation to the Bonds have been additionally secured by the Mortgage on the Project and security interest in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. Pursuant to the terms of the Resolution, the Authority has assigned the Mortgage and such security interest to the Trustee for the benefit of the Bondholders and the Bank. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS - The Mortgage."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Resolution, the Bond Certificate, the Letter of Credit and the Reimbursement Agreement. Copies of the Loan Agreement, the Resolution, the Bond Certificate, the Letter of Credit and the Reimbursement Agreement are on file with the Authority and the Trustee. See also "Appendix B - Summary of Certain Provisions of the Loan Agreement" and "Appendix C - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Bonds

The Bonds are special obligations of the Authority payable solely from the proceeds received from drawings under the Letter of Credit and certain payments made by the Institution under the Loan Agreement, which payments are pledged and assigned to the Trustee. Payments of principal, Sinking Fund Installments, Purchase Price and Redemption Price of and interest on the Bonds will be paid initially with funds drawn on the Letter of Credit. The Trustee will apply a portion of the payments received under the Loan Agreement to reimburse the Bank for amounts drawn on the Letter of Credit.

The Institution is required under the Loan Agreement to make payments equal to the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. Certain funds and accounts held by the Trustee under the Resolution have been pledged to the Trustee for the benefit of the Holders of the Bonds and to the provider of any Credit Facility, including the Bank, as security for the performance by the Institution of its obligations under the Reimbursement Agreement.

The Loan Agreement is a general obligation of the Institution. The Loan Agreement obligates the Institution to make payments on the 10th day of each month in an amount equal to one-twelfth of the principal and Sinking Fund Installment coming due on the next succeeding July 1. So long as the Bonds bear interest at the Weekly Rate, the Loan Agreement obligates the Institution to make payments on the Business Day preceding each Interest Payment Date in immediately available funds in an amount equal to the interest on the Bonds payable on such Interest Payment Date.

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 reimburse the Bank for amounts drawn under the Letter of Credit to pay the principal of, Sinking Fund Installments, if any, Purchase Price or Redemption Price of, and interest on the Bonds.

Security for the Bonds

The Bonds are secured by the funds and accounts established by the Resolution (other than the Reimbursement Account of the Debt Service Fund and the Arbitrage Rebate Fund), which are pledged and assigned to the Trustee. Obligations of the Institution under the Loan Agreement are secured by the Mortgage, and by a security interest in Monthly Service Charges granted by the Institution to the Authority under the Assignment of Rents and assigned to the Trustee. The respective rights of the Authority, the Trustee and the Bank with regard to the Mortgage and the Assignment of Rents are controlled by the terms of the Intercreditor Agreement.

The Bonds are further secured and payable from amounts to be drawn under the Letter of Credit.

The Letter of Credit

The Bank has extended the Letter of Credit issued in favor of the Trustee pursuant to the Reimbursement Agreement. The Letter of Credit is an irrevocable, transferable direct-pay letter of credit. On the Conversion Date, the Letter of Credit is to be amended and restated, to provide, among other things for such Letter of Credit to be in an amount sufficient to pay the aggregate principal, Sinking Fund Installments and Redemption Price or Purchase Price of the Bonds and up to 50 days' interest on the Bonds, or a portion of the Purchase Price corresponding to interest on such Bonds (computed at an assumed rate of twelve percent (12%) per annum), when such Bonds bear interest at the Weekly Rate. Under the Reimbursement Agreement, the Institution and the Hospital agree to reimburse the Bank for draws under the Letter of Credit.

The Letter of Credit will expire on July 16, 2009, or earlier upon the occurrence of certain events described herein and may be extended as described therein. The Letter of Credit will expire on (i) the earlier of (A) the date which is five (5) days following the Substitution Date or the date on which the interest rate on the Bonds has been converted to a Fixed Rate (the "Letter of Credit Conversion Date"), (B) the date which is twenty (20) days following the receipt by the Trustee of a written notice from the Bank specifying the occurrence of an event of default under the Reimbursement Agreement, or (C) the date the Trustee surrenders the Letter of Credit for cancellation.

The Resolution provides that the Trustee will make timely drawings under the Letter of Credit in accordance with the terms thereof (i) to pay when due (whether by maturity, redemption or otherwise) the principal of, Sinking Fund Installments and Redemption Price of and interest on the Bonds and (ii) to the extent that cash proceeds from the remarketing of tendered Bonds are not available therefor, to pay when due the Purchase Price of such tendered Bonds.

Under certain circumstances, the Letter of Credit may be replaced by a substitute Letter of Credit. The Bonds are subject to mandatory tender for purchase upon the effective date of any substitute Letter of Credit.

The Letter of Credit is issued pursuant to the Reimbursement Agreement. The Reimbursement Agreement obligates the Institution and the Hospital, among other things, to reimburse the Bank for funds advanced by the Bank under the Letter of Credit and to pay various fees and expenses. The Reimbursement Agreement sets forth conditions to the issuance of the Letter of Credit and certain representations and warranties that are to be true at the date of issuance of the Letter of Credit. Such representations and warranties include representations as to: due organization and legal existence of the Institution and the Hospital; due execution and delivery of the Reimbursement Agreement and any documents securing the Letter of Credit or the Reimbursement Agreement (collectively, the "Related Documents"); enforceability of the Related Documents; litigation; compliance with laws and regulations, including ERISA and environmental laws; accuracy of certain financial and other information; property rights and title; taxes; absence of certain events of default; compliance with other agreements; insurance; accreditation; and licensing.

The Reimbursement Agreement also contains certain covenants and reporting requirements. Such covenants of the Institution and the Hospital include: payment in accordance with the terms of the Reimbursement Agreement of amounts due to the Bank; appointment of a successor Remarketing Agent; compliance with laws; payment of taxes and maintenance of tax-exempt status; maintenance of properties; maintenance of insurance; preservation of existence and accreditation; compliance with environmental matters; conversion of the Bonds; maintenance of underlying ratings; certain financial covenants; rights of access to books and records; limitations on incurrence of liens; and limitations on amendments to relating to the Bonds and the collateral pledged with respect to the Bonds or the Letter of Credit without Bank consent. Reporting requirements of the Institution include requirements to furnish: annual audited financial statements and an unqualified accountant's opinion; annual operating budget;

annual admissions statistics; notice of Events of Default under the Reimbursement Agreement; notice of material litigation or proceedings; notice of certain environmental matters; and such other information as the Bank may request.

The Reimbursement Agreement also sets out certain Events of Default. These include: (i) nonpayment when due of principal of or interest on the amounts drawn under the Letter of Credit or any fees or expenses payable under the Reimbursement Agreement; (ii) default by the Institution or the Hospital in the performance of any obligation, term or condition of the Reimbursement Agreement, which default shall continue after the expiration of applicable grace periods, if any; (iii) the filing by the Institution or the Hospital of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt or other relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory or any foreign jurisdiction; (iv) the filing against the Institution or the Hospital of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt or other relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory or any foreign jurisdiction; or the commencement against the Institution or the Hospital of any formal or informal proceeding for the reorganization, dissolution or liquidation of, settlement of claims against or winding up the affairs of the Institution or the Hospital; and failure by the Institution or the Hospital within 90 days to terminate, discharge or otherwise remove such proceeding (v) the making of any general assignment by the Institution or the Hospital for the benefit of creditors; the appointment of a receiver or trustee for the Institution or the Hospital or for any assets of the Institution or the Hospital, including, without limitation, the appointment of or taking possession by a “custodian,” as defined in the federal Bankruptcy Code or otherwise; the making of any, or sending notice of any, intended bulk sale; or the commencement by the Institution or the Hospital of any other type of insolvency proceeding under the federal Bankruptcy Code or otherwise or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of, the Institution or the Hospital; (vi) the sale, assignment, transfer or delivery of all or substantially all of the assets of the Institution or the Hospital, or the cessation by the Institution or the Hospital as a going business concern; (vii) nonpayment by the Institution or the Hospital when due of any indebtedness for borrowed money owing to any third party when due (subject to any applicable grace period), or the failure to perform any term, covenant or agreement on its part to be performed under any agreement or instrument evidencing or securing or relating to any indebtedness owing by the Institution or the Hospital when required to be performed if the effect of such failure is to permit the acceleration of such indebtedness; (viii) the occurrence of an “Event of Default” under any of the Loan Agreement, the Resolution, the Mortgage or the Assignment of Rents (collectively, the “Bond Documents”); (ix) the occurrence of any of the following events which would result in the creation of a liability of the Institution, the Hospital or any entity which is under common control with the Institution or the Hospital within the meaning of the Code, in excess of \$100,000: the Institution, the Hospital or any of their subsidiaries, as defined in the Reimbursement Agreement, (or any officer or director thereof) shall engage in any “prohibited transaction” as defined in the Employees Retirement Income Security Act of 1974 (“ERISA”) or in the Code involving any employee pension benefit plan; any “accumulated funding deficiency” as defined in ERISA shall exist with respect to any plan; with respect to any multiemployer plan, the Institution or the Hospital fails to make a contribution required to be made thereto, or withdraws therefrom; a “reportable event” as defined in ERISA shall occur with respect to, or proceedings shall commence to have a trustee appointed to administer or terminate, any plan which is not a multiemployer plan, which “reportable event” or commencement of proceedings is, in the reasonable opinion of the Bank, likely to result in the termination of such plan and such plan and such event remains unremedied for ten days after notice to ERISA or such proceeding continue for ten days after commencement; any plan shall terminate for purposes of ERISA; or any other similar event or condition shall exist which would subject the Institution, the Hospital or any of their subsidiaries to any tax, penalty or other liabilities under ERISA in the aggregate material in relation to the business, operations or financial condition of the Institution, the Hospital and their subsidiaries taken as a whole; or (x) any representation or warranty made by the Institution or the Hospital in connection with the Reimbursement Agreement, the Bond Documents or the Collateral Documents shall prove to be false, misleading or incorrect in any material respect as of the date made.

If an Event of Default under the Reimbursement Agreement shall occur and be continuing, the Bank may (i) deliver to the Trustee and the Authority a notice stating that an Event of Default under the Reimbursement Agreement has occurred and has not been cured by the Institution or the Hospital or waived by the Bank, (ii) in its sole discretion, declare all amounts due the Bank under the Reimbursement Agreement to be due and payable, (iii) take any action permitted under the Collateral Documents or permitted by law or (iv) increase the Letter of Credit fee payable under the Reimbursement Agreement to 3%.

The Bank, the Institution and the Hospital shall have the right to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Authority or the Bondholders. The Bank (and the Institution and the Hospital in the case of the Reimbursement Agreement) shall also have the right, in its sole discretion, to waive any Event of Default under any Related Document. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

For information on the Bank, see “Appendix E – The Bank.”

The Mortgage

In connection with the original issuance of the Bonds, the Institution executed and delivered the Mortgage to the Authority and granted the Authority a security interest in certain fixtures, furnishings and equipment to secure the payments relating to the Bonds, required to be made by the Institution pursuant to the Loan Agreement and the obligations of the Institution under the Reimbursement Agreement with respect to the Letter of Credit. The Authority has assigned the Mortgage to the Trustee for the benefit of the Holders of the Bonds and the Bank. The respective rights of the Trustee, the Authority and the Bank with regard to the Mortgage are controlled by the terms of the Intercreditor Agreement.

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 Installment, if any, Redemption Price or Purchase Price of or interest on any Bond; other than a Custody Bond(ii) a default by the Authority in the due and punctual performance of the tax covenants contained in the Resolution, as a result of which the interest on Bonds of a Series is no longer excludable from gross income under the Code; (iii) a default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution on the part of the Authority to be performed and the continuance of such default for 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 Credit Facility issuer, or if such Credit Facility issuer shall have failed a properly presented draft under the Credit Facility, then at the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds; or (iv) an event of default under the Loan Agreement shall have been declared and is continuing and all sums payable by the Institution under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless otherwise specified above, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee, upon the written request or with the written consent of the Bank, or if the Bank shall have failed to honor a draft presented to it under the Credit Facility and such failure shall not have been cured by the Bank, upon the written request of Holders of not less than 25% in principal amount of the Bonds Outstanding, by notice in writing to the Authority, is to declare the principal of and interest on all of the Bonds Outstanding to be due and payable.

Notwithstanding any other provision of the Resolution to the contrary, upon the Authority’s failure to comply with the covenant described in subclause (ii) of the first paragraph under this heading, upon the direction of the Holders of not less than 25% in principal amount of the Outstanding Bonds of the Series affected thereby, the Trustee is to exercise the rights and remedies provided to the Bondholders under the Resolution.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Bank, the Authority, the Institution and the Holders of the Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice. However, except in the case of default in the payment of the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any of the Bonds, the Trustee is protected in withholding such notice thereof from the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

General

The Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See “PART 5 - THE AUTHORITY.”

PART 3 - THE BONDS

Set forth below is a narrative description of certain provisions relating to the Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also “Appendix B - Summary of Certain Provisions of the Loan Agreement” and “Appendix C - Summary of Certain Provisions of the Resolution” for a more complete description of certain provisions of the Bonds.

General

The Bonds were issued by the Authority pursuant to the Resolution and the Bond Certificate. The Bonds are fully registered bonds and will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s Book-Entry Only System. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See “PART 3 - THE BONDS - Book-Entry Only System.” If the Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal, Purchase Price or Redemption Price of Bonds will be payable at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, Paying Agent and Tender Agent upon presentation and surrender of such Bonds to it.

The Bonds may be exchanged for other Bonds in any other authorized denominations upon payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution. The Authority will not be obligated to make any exchange or transfer of Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for such Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Bonds for redemption.

Description of the Bonds

General

The Bonds will mature on July 1, 2023. The Bonds will bear interest from the Conversion Date at the Weekly Rate (payable on the first Wednesday of each calendar month beginning August 6, 2008) until the Bonds are converted to another interest rate mode.

Unless otherwise set forth herein, the descriptions of the Bonds and the related documents included herein generally relate only to the terms and provisions which are applicable while the Bonds bear interest at the Weekly Rate. The Bonds, while bearing interest at the Weekly Rate, are available in denominations of no less than \$100,000 or any integral multiple of \$5,000 in excess thereof.

Interest on the Bonds while bearing interest at the Weekly Rate will be payable in immediately available funds by check or draft or, at the request of a Holder of any Bond or Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer to the wire transfer address within the continental United States to which such Holder has, prior to the applicable Record Date, directed the Trustee to wire such interest. While the Bonds bear interest at the Weekly Rate, the Record Date is the close of business on the Business Day immediately preceding each Interest Payment Date.

Interest Payment Dates for Bonds

Interest on the Bonds bearing interest at the Weekly Rate will be paid August 6, 2008 and on the first Wednesday of each calendar month thereafter, until the Bonds are converted to another interest rate mode. Interest

on the Bonds will be computed during each Interest Rate Period on the basis of a 365-day or 366-day year, as appropriate, and paid for the actual number of days elapsed.

Weekly Rate Periods

Commencing on the Conversion Date and continuing until, but excluding the date on which the interest rate mode on the Bonds is converted to another mode or the final maturity date, as the case may be, the Bonds shall bear interest at the Weekly Rate. The initial Interest Period will commence on the Conversion Date and end on Tuesday, July 8, 2008. Each subsequent Interest Period with respect to Bonds bearing interest at the Weekly Rate will commence on the Wednesday immediately following the last day of the immediately preceding Interest Period and end on the following Tuesday.

Establishment of Weekly Rates

The Weekly Rate will be the minimum annual rate of interest determined by the Remarketing Agent not later than the close of business on the Business Day preceding the Conversion Date and on the Tuesday or the next preceding Business Day if such Tuesday is not a Business Day preceding each Interest Period thereafter, which in the sole best judgment of the Remarketing Agent, under prevailing market conditions, would be the lowest interest rate which would enable the Bonds to be sold at a price of par, plus accrued interest, if any, on the first day of the Interest Period. In no event may the interest rate on the Bonds for any Interest Period exceed the Maximum Rate of 12% per annum. If the Tuesday preceding the first day of an Interest Period is not a Business Day, the interest rate shall be set on the immediately preceding Business Day.

If for any reason the Weekly Rate for any Interest Period is not established, no Remarketing Agent is serving under the Resolution or the Weekly Rate is held to be invalid or unenforceable, then the Weekly Rate for such Interest Period will be equal to 80% of the average annual bond equivalent yield applicable to 13-week United States Treasury Bills at the most recent Treasury auction prior to the first day of such Interest Period at which such Treasury Bills were sold, as announced by the Federal Reserve Bank of New York, until the Weekly Rate can again be determined and applied in the manner described above.

Conversion to Another Rate Mode

On any Interest Payment Date, the interest rate mode for all (but not less than all) of the Bonds bearing interest at the Weekly Rate may be changed by the Authority upon the direction of the Institution in accordance with the provisions of the Resolution. Bonds may be converted to Bonds bearing interest at the Daily Rate or the Continuously Adjustable Rate, which conversion shall become effective on a Business Day which is at least 20 days after the Authority, the Remarketing Agent, the Tender Agent, the Bank and the Trustee receive written notice from the Institution (i) exercising its option to so convert the Bonds, and (ii) specifying the Daily or Continuously Adjustable Rate Conversion Date, as the case may be. Bonds may be converted to Bonds bearing interest at the Term Rate or the Fixed Rate, which conversion shall become effective on a Business Day which is at least 45 days after the Authority, the Remarketing Agent, the Tender Agent, the Bank and the Trustee receive written notice from the Institution (i) exercising its option to convert the Bonds; and (ii) specifying the Term or Fixed Rate Conversion Date, as the case may be.

If the Bonds are to be converted from the Weekly Rate mode to another interest rate mode, the Tender Agent will give a conversion notice to the Holders of such Bonds by first class mail, not less than fifteen (15) days preceding the effective date of such change. Any Bonds that are to be converted from a Weekly Rate Mode to another Rate Mode will be subject to Mandatory Tender on the effective date of such change.

Notwithstanding any provision in the Resolution, no change will be made in the interest rate mode if the Trustee shall receive written notice from the Institution prior to such change that the Institution has rescinded its election to make such change. If the Trustee shall have sent any notice to Bondholders regarding a change in the interest rate mode, then, in the event of such rescission, the Trustee shall promptly notify all Bondholders of such rescission.

Optional Tender of Bonds

The Holders of Bonds bearing interest at a Weekly Rate may elect to tender their Bonds (or portions thereof in integral multiples of \$100,000 or multiples of \$5,000 in addition thereto) for purchase at the Purchase Price on any Business Day (an "Optional Tender Date").

To exercise the tender option, a Bondholder must (i) deliver to the Tender Agent at its principal office, not later than 3:00 p.m., New York City time, on a Business Day that is at least seven calendar days preceding the date the Bonds are to be tendered, an irrevocable written notice stating the principal amount of the Bonds to be purchased, the name of the registered owner, the Bond number or numbers and the date the Bond is to be purchased, and (ii)

deliver such Bond (or, if such Bond is in book-entry form, confirmation of ownership) to the Tender Agent, on or prior to 12:00 noon, New York City time on the Optional Tender Date.

As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, the tender option may only be exercised by a DTC Participant (as hereinafter defined) on behalf of a Beneficial Owner (as hereinafter defined) of Bonds by giving written notice of its election to tender at the times and in the manner described above. An election to tender a Bond for purchase is irrevocable and binding on the Holder or DTC Participant making such election, the Beneficial Owner on whose behalf the notice was given and on any transferee thereof.

Mandatory Tender of Bonds

The Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

- (i) on each date that the Bonds that are being converted to a new interest rate mode;
- (ii) on a date that is not less than fifteen (15) days prior to the expiration date of the Credit Facility then in effect with respect to the Bonds, (or if such day is not a Business Day, on the immediately preceding Business Day);
- (iii) on the effective date of a substitute Credit Facility delivered with respect to the Bonds (or if such day is not a Business Day, on the immediately preceding Business Day); and
- (iv) on the day following the date the Trustee is in receipt of a written notice from the Bank to the effect that an event of default under the Reimbursement Agreement has occurred and is continuing (or if such day is not a Business Day, the immediately preceding Business Day).

Delivery of Tendered Bonds

Bonds or portions thereof, other than Bonds registered in the name of DTC or its nominee, Cede & Co., for which an election to tender has been made and Bonds subject to mandatory tender are to be delivered and surrendered to the Tender Agent at its principal corporate trust office on the purchase date. If on the purchase date, there is on deposit with the Tender Agent sufficient moneys to pay the Purchase Price of the tendered Bonds, such Bonds will be deemed tendered without physical delivery to the Trustee and the Holders or DTC Participants and Beneficial Owners of such Bonds will have no further rights thereunder other than the right to the payment of the Purchase Price. The Purchase Price for tendered Bonds is payable solely out of the moneys derived from the remarketing of such Bonds and the moneys made available by the Institution or pursuant to a Letter of Credit. The Authority has no obligation to pay the Purchase Price out of any other moneys.

Remarketing and Purchase of Bonds

The Remarketing Agent is required to use its best efforts to remarket the tendered Bonds. However, the Remarketing Agent is not required to remarket, and may immediately suspend its remarketing efforts of, any Tendered Bonds under certain circumstances, including, among others (i) if an Event of Default with respect to the Bonds has occurred and is continuing under the Resolution, (ii) the Remarketing Agent determines that any applicable disclosure document or undertaking required in connection with the remarketing of the Bonds is either unavailable or not satisfactory to the Remarketing Agent or (iii) the Remarketing Agent has received an Opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds for federal income tax purposes, or the exemption from registration under the Securities Act of 1933, or the exemption from qualification of the Resolution under the Trust Indenture Act of 1939 can be challenged. In addition, the Institution, with the consent of the Authority, may direct the Remarketing Agent to discontinue or suspend the remarketing of the Bonds.

Tendered Bonds will be purchased from the Holders on the Purchase Date at the Purchase Price. Interest on tendered Bonds to be purchased after the Record Date for an Interest Payment Date will be paid to the registered owner of the tendered Bonds on the Record Date. The Purchase Price is to be paid from the proceeds of the remarketing of tendered Bonds, moneys drawn under the Credit Facility or from moneys provided by the Institution.

The Tender Agent will not be required to purchase from its Holder any Bond tendered for purchase at the option of the Holder which does not strictly conform to the description contained in the notice of tender.

Weekly Rate Period Table

The following Weekly Rate Period Table is provided for the convenience of the Holder. The information contained in the chart is not intended to be comprehensive. Reference is made to the above description and to the Resolution for a more complete description.

Weekly Rate Period Table

Duration of Rate Period	From and including each Wednesday to and including the following Tuesday
Interest Payment Dates	The first Wednesday of each calendar month
Interest Rate Determination Dates	By close of business on each Tuesday (or the immediately preceding Business Day if such Tuesday is not a Business Day)
Optional Tender Date	Any Business Day
Bondholder Notice of Tender Due	No later than 3:00 p.m. New York City time on a Business Day not less than 7 days prior to Bondholders' Purchase Date

Redemption Provisions

The Bonds bearing interest at the Weekly Rate are subject to optional redemption as described below.

Optional Redemption

The Bonds bearing interest at the Weekly Rate are subject to optional redemption, at the option of the Authority, on any Interest Payment Date at a redemption price equal to 100% of the principal amount of Bonds or portions thereof to be redeemed, plus accrued interest, if any, to the redemption date upon not more than forty-five (45) days' nor less than twenty (20) days' notice given by the Institution to the Trustee, the Remarketing Agent, the Tender Agent and the Authority, and upon notice to the registered owners of the Bonds, as described below under "Notice of Redemption." The Trustee will not give such notice of redemption to the owners of the Bonds unless the Trustee shall have received written notice from the Bank to give such notice, or there has been deposited with the Trustee Available Moneys in an amount equal to the Redemption Price of all Bonds to be redeemed.

Mandatory Redemption

In addition, the Bonds are subject to mandatory redemption, in part, on each July 1 of the years and in the principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Bonds specified for each of the years shown below:

**Bonds Maturing
on July 1, 2023**

<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2009	\$415,000	2017	\$685,000
2010	440,000	2018	730,000
2011	470,000	2019	780,000
2012	500,000	2020	830,000
2013	535,000	2021	880,000
2014	570,000	2022	940,000
2015	605,000	2023	1,000,000†
2016	645,000		

†Final maturity.

Selection of Bonds to be Redeemed

In the case of redemptions of less than all of the Bonds, the Trustee will first select Custody Bonds and second Bonds then owned by the Remarketing Agent pursuant to the Remarketing Agent to be redeemed. To the extent additional Bonds are to be redeemed, such additional Bonds are to be redeemed by lot or selected in such other manner as the Trustee deems proper, in its sole discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Bonds in the name of the Authority, by first-class mail, postage prepaid, in the case of Bonds to be redeemed by Optional Redemption, not less than 15 days prior to the redemption date and in the case of Bonds to be redeemed by Mandatory Redemption, not less than 30 days prior to the Redemption Date, to the registered owners of any Bonds which are to be redeemed. The failure of any owner of a Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of any other Bond.

If on the redemption date moneys for the redemption of the Bonds 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 and all other conditions to redemption have been satisfied, then interest on such Bonds will cease to accrue from and after the redemption date and such Bonds will no longer be considered to be Outstanding.

For a more complete description of the redemption and other provisions relating to the Bonds, see “Appendix C - Summary of Certain Provisions of the Resolution.”

Special Considerations Relating to the Remarketing of the Bonds

The Remarketing Agent is Paid by the Institution

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and using best efforts to remarket Bonds that are optionally or mandatorily tendered by the owners thereof (“Tendered Bonds”) (subject, in each case, to the terms of the applicable Remarketing Agreement), as further described in this Reoffering Circular. The interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for Its Own Account

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

Bonds May Be Offered at Different Prices on Any Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to best efforts to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Tendered Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the first day of the applicable Rate Period. The interest rate will reflect, among other factors, the level of market demand for the Tendered Bonds (including whether the Remarketing Agent is willing to purchase Tendered Bonds for its own account). There may or may not be Bonds tendered and remarketed on the date the rate is determined or the date the rate becomes effective, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Tendered Bonds at varying prices to different

investors on such dates or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the date the rate is determined or the date the rate becomes effective, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than through the Tender Process May Be Limited

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

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Bond Certificate.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, is the securities depository for the Bonds. The Bonds are fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate has been issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and has been deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

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

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

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

Redemption notices shall be sent to Cede & Co. (or such other nominee). If less than all of the Bonds within a maturity of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

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

DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Bonds may thereafter be exchanged for an equal aggregate principal amount of Bonds in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the

principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

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

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Bonds (other than under the captions “PART 8 - TAX EXEMPTION” herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

PART 4 - THE INSTITUTION

The Institution is a Type B not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of New York and an organization described in Section 501(c) (3) of the Code and exempt from federal income tax pursuant to Section 501(a) of the Code. The Institution was formed in 1991 for the purposes of developing and operating the Project originally funded with proceeds from the Bonds. The Project consisted of the construction of 96 independent living units, 48 enriched housing units and certain common areas. Since the completion of the Project in 1995, the Institution has expanded the original Project to include 135 independent living units, 60 enriched housing units and 36 cottage homes. The Institution does not have any assets other than the Project as so expanded. In 2007, the Institution’s independent living units experienced a 91.0% occupancy rate; the enriched housing units averaged an occupancy rate of 87.4% and the cottage homes reported an occupancy rate of 92.1%.

Strong Partners Health System, Inc, a New York not-for-profit corporation (“SPHS”) became the sole member of the Institution in 1997 as part of an affiliation between the University of Rochester (the “University”) and Highland Hospital of Rochester (the “Hospital”), the operator of a 261-bed not-for-profit acute care hospital located in Rochester, New York. SPHS is also the sole member of the Hospital and two corporations that operate not-for-profit nursing homes located in Monroe County, New York. The University is the sole member of SPHS. However, neither the University nor SPHS has any legal obligation for the debt of the Institution.

The Institution is governed by a Board of Directors consisting of not less than seven nor more than nineteen members.

Except for the very limited description of the Institution contained under this caption, no other information relating to the Institution, its operations or its financial condition is included in this Reoffering Circular. Potential investors should base their investment decisions with respect to the Bonds *SOLELY* on the credit of the Bank.

PART 5 - THE AUTHORITY

Background, Purposes and Powers

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

and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

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

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

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

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

At March 31, 2008, the Authority had approximately \$35.2 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2008 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	\$ 2,120,821,000	\$ 873,355,000	\$ 0	\$ 873,355,000
State University of New York Educational and Athletic Facilities	11,757,912,999	5,004,985,745	0	5,004,985,745
Upstate Community Colleges of the State University of New York	1,397,910,000	589,930,000	0	589,930,000
Senior Colleges of the City University of New York	8,609,563,549	2,982,606,270	0	2,982,606,270
Community Colleges of the City University of New York	2,194,081,563	513,213,730	0	513,213,730
BOCES and School Districts	1,731,396,208	1,291,165,000	0	1,291,165,000
Judicial Facilities	2,161,277,717	738,632,717	0	738,632,717
New York State Departments of Health and Education and Other	4,233,285,000	2,849,490,000	0	2,849,490,000
Mental Health Services Facilities	5,682,130,000	3,558,845,000	0	3,558,845,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	913,895,000	809,250,000	0	809,250,000
Totals Public Programs	\$ 41,575,748,036	\$ 19,211,473,462	\$ 0	\$ 19,211,473,462

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	\$ 14,899,256,020	\$ 7,001,777,344	\$ 190,230,000	\$ 7,192,007,344
Voluntary Non-Profit Hospitals	12,693,404,309	7,817,570,000	0	7,817,570,000
Facilities for the Aged	1,979,275,000	1,027,235,000	0	1,027,235,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	\$ 29,666,935,329	\$ 15,846,582,344	\$ 190,230,000	\$ 16,036,812,344
Grand Totals Bonds and Notes	\$ 71,242,683,365	\$ 35,058,055,806	\$ 190,230,000	\$ 35,248,285,806

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2008, the Agency had approximately \$401 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2008 were as follows:

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

Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 3,605,000
Insured Mortgage Programs	6,625,079,927	389,564,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	8,255,000
Total Non-Public Programs	\$ 9,265,549,927	\$ 401,424,927
Total MCFFA Outstanding Debt	\$ 13,082,780,652	\$ 401,424,927

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member

appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

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

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

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980's. Mr. Ruder is Vice Chairman of the New York State Board of Science, Technology and Academic Research

(NYSTAR), and also serves on the board of the Adirondack Council, the Scarsdale United Way, the New York Metro Chapter of the Young Presidents' Organization and PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

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

SANDRA M. SHAPARD, Delmar.

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

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges served on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He has also served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management.

Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

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

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

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

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

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

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

The principal staff of the Authority is as follows:

MICHAEL T. CORRIGAN currently serves as the Acting Executive Director and chief administrative and operating officer of the Authority until such time as a new Executive Director is appointed by the Members of the Board of the Authority. In this capacity, Mr. Corrigan is responsible for the overall management of the Authority's administration and operations. He came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. In 2003, Mr. Corrigan became Deputy Executive Director and served in that capacity until becoming Acting Executive Director on May 15, 2008. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, Mr. Corrigan served as the appointed Rensselaer County Executive for a short period. He holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

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

years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

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

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

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

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority obtained the approval of the PACB for the original issuance of the Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Projects financed with proceeds from the Bonds to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 6 - LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

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

PART 7 - NEGOTIABLE INSTRUMENTS

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

PART 8 - TAX EXEMPTION

In connection with the original issuance of the Bonds, Brown & Wood (now, Sidley Austin LLP) delivered its approving opinion (the "Original Opinion"), which concluded that, under then existing law, interest on the Bonds was not includable in the gross income of the owners of the Bonds for purposes of federal income taxation, however interest on the Bonds would be includable in gross income of the owners thereof retroactive to the date of original issuance of the Bonds (a) in the event of a failure by the Institution or the Authority to comply, subsequent to the original issuance of the Bonds, with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure or investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the United States Treasury, or (b) in the event that the \$150,000,000 limitation imposed by the Code on outstanding non-hospital bonds were exceeded within three years of the later of the date the Project is placed in service and the date of original issuance of the Bonds. The Original Opinion further concluded that, under then existing law, interest on the Bonds was not a tax preference item for purposes of computing the alternative minimum tax of individuals; however, interest on the Bonds would be includable in the calculation of the alternative minimum tax and the environmental tax liability imposed on corporations. In addition, the Original Opinion concluded that, under then existing law, interest on the Bonds was exempt from personal income taxes of the State of New York and its political subdivisions.

A copy of the Original Opinion is contained in Appendix D-1 to this Reoffering Circular.

On the effective date of the conversion of the interest rate mode on the Bonds to the Weekly Rate, as herein contemplated, Sidley Austin LLP, New York, New York, Bond Counsel, will deliver its opinion to the effect that such conversion will not in and of itself adversely affect the exclusion of interest on said Bonds from gross income for purposes of federal income taxation. The form of such opinion to be delivered by Bond Counsel on the date of the conversion described herein is contained in Appendix D-2 to this Reoffering Circular. Consistent with customary procedures involving conversion of the interest rate mode on outstanding bonds, Bond Counsel has not been asked to conduct, and has not conducted any review of facts and circumstances relating to the tax status of interest on the Bonds and expresses no opinion as to whether interest on the Bonds is currently excluded from gross income for federal income tax purposes.

PART 9 - STATE NOT LIABLE ON THE BONDS

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

PART 10 - 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 11 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel, as successor by merger to Brown & Wood, which delivered the approving opinion in connection with the initial issuance of the Bonds on March 24, 1994. As a condition to the conversion of the Bonds, Sidley Austin LLP will deliver its opinion to the effect that the conversion will not cause interest on the Bonds to be included in gross income of the owners of such Bonds for purposes of federal income taxation. Copies of the approving opinion delivered by Bond Counsel in connection with the issuance of the Bonds and the proposed forms of the opinions to be delivered on the Conversion Date are set forth in Appendix D hereto.

There is not now pending any litigation restraining or enjoining the conversion or reoffering of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they were issued or are to be converted or reoffered.

PART 12 - CONTINUING DISCLOSURE

So long as the Bonds bear interest at the Weekly Rate, the Bonds are exempt from Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, and the Authority and the Institution will not be required to provide any continuing disclosure in accordance with the Rule.

PART 13 - REMARKETING

RBC Capital Markets Corporation as Remarketing Agent has agreed, pursuant to the terms and conditions of a Firm Remarketing Agreement dated June 30, 2008, to purchase the Bonds from the Authority at an aggregate purchase price of par and to make a public offering of the Bonds. The Remarketing Agent will be obligated to purchase all such Bonds tendered on the Conversion Date. In connection with its services related to this Reoffering Circular and the conversion of the Bonds from the Term Rate to the Weekly Rate, the Remarketing Agent will be paid \$50,000.

The Remarketing Agent has agreed, pursuant to the terms and conditions of a Remarketing Agreement dated July 1, 2008, to use its best efforts to remarket the Bonds that are optionally or mandatorily tendered by the owners thereof.

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

PART 14 — RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "VMIG1" to the Bonds and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "A-1+" to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following

addresses: Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Bonds.

PART 15 - MISCELLANEOUS

References in this Reoffering Circular to the Act, the Resolution, the Bond Certificate and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Bond Certificate and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Bond Certificate and the Loan Agreement are on file with the Authority and the Trustee.

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

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

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

The information regarding the Bank contained in "Appendix E – The Bank" has been furnished by the Bank. No representation is made herein by the Authority, the Institution or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. None of the Authority, the Institution, or the Remarketing Agent has made any independent investigation of the Bank or the Letter of Credit.

"Appendix A - Definitions," "Appendix B - Summary of Certain Provisions of the Loan Agreement," "Appendix C - Summary of Certain Provisions of the Resolution" and "Appendix D - Approving Opinions of Bond Counsel" have been prepared by Sidley Austin LLP, New York, New York, Bond Counsel.

The Institution has reviewed the parts of this Reoffering Circular describing the Institution. It is a condition to the delivery of the Bonds that the Institution certify to the Remarketing Agent and the Authority that, as of the date of this Reoffering Circular and the date of delivery of the Bonds, such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. Except for the very limited description of the Institution contained herein, no other information relating to the Institution, its operations or its financial condition is included in this Reoffering Circular.

The Institution has agreed to indemnify the Authority 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 Reoffering Circular by an Authorized Officer have been duly authorized by the Authority.

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

By: /s/ Michael T. Corrigan
Authorized Officer

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DEFINITIONS

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CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Resolutions and the Loan Agreement, the following terms have the meanings ascribed to them below:

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended);

Affiliate shall mean a Person who controls, is controlled by or is under common control with the Institution, as set forth below: (a) one Person shall be deemed to control another if it owns more than 50% of the outstanding voting stock of or other equity interests in the other, or it has the power to elect more than 50% of the governing body of the other; and (b) such control may be exercised by one Person over another directly, indirectly through control over a third party, or jointly with one or more controlled third parties;

Annual Administration 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 funds so designated, created and established pursuant to Section 5.02 of the Resolution;

Assignment of Rents means the Assignment of Rents, dated as of the date of delivery of the Bonds, from the Institution to the Authority;

Assignment of Mortgage means the Collateral Assignment of Mortgage, dated as of the date of delivery of the Bonds, from the Authority to the Trustee;

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 consisting of (a) all the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the financing and construction of a Project, plus (b) a payment made upon the issuance of the Bonds in an amount set forth in the Loan Agreement, unless otherwise provided 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 days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority;

Authorized Officer means (i) in the case of the Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, a Deputy Executive Director, the First Deputy Director, the General Counsel, the Deputy Counsel, an Associate 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 Chairperson, the President, any Vice Chairperson, President, the Treasurer, the Assistant Treasurer or the Secretary of the Board of Directors of the Institution or the Director, the Deputy Director, any Executive Associate Director of the Institution or any other officer or employee so designated by a resolution, and when used with reference to any act or document also means any other person authorized by resolution of the Board of Directors of the Institution to perform such act or sign such document; (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee; and (iv) in the case of the Bank, the President, a Vice President, an Assistant Vice President, the Secretary, an Assistant Secretary, the Treasurer, an Assistant Treasurer or any other person authorized by a resolution or by-laws or other instrument of the Bank to perform any act or execute any document;

Available Moneys means moneys, and the investment earnings thereon, (i) derived from a draw under a Letter of Credit, (ii) derived from the proceeds of Bonds, (iii) derived from the sale of Bonds tendered for purchase and remarketed in accordance with Article IV of the Resolution, (iv) which have been on deposit with the Trustee or any Paying Agent for a period of not less than three hundred sixty-seven (367) consecutive days during which no petition has been filed by or against the Authority, the Institution or an Affiliate under the United States Bankruptcy Code of 1978 (11 U.S.C. Section 101 et seq.), as amended from time to time, or if such petition has been filed, it has been dismissed during such three hundred sixty-seven (367) day period, (v) derived from the proceeds of bonds issued by the Authority for the purpose of refunding all or a portion of the Bonds, or (vi) which in the opinion of nationally recognized counsel acceptable to the Authority if applied to the payment of the principal, Redemption Price or Purchase Price of, or the interest on, Bonds would not be subject to the avoidable preference or stay provisions of Sections 544, 547 and 550 of the United States Bankruptcy Code of 1978 (11 U.S.C. Section 101 et seq.), as amended from time to time, by or against the Authority, the Institution or an Affiliate;

Bank means HSBC Bank USA, National Association, a national banking association duly organized under the laws of the United States and any successors thereof;

Bond or Bonds means any of the bonds of the Authority authorized and issued pursuant to the Resolution;

Bond Certificate means the certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of the Bonds in accordance with the delegation of power to do so under the 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;

Bond Documents, as used in the Reimbursement Agreement, means the Loan Agreement, the Resolutions, the Mortgages and the Assignment of Rents, collectively;

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

Bondholders' Election Notice means the written notice to the Tender Agent described in the Resolution;

Bondholders' Purchase Date means any date that the owner of a bond bearing interest at the Daily Rate or the Weekly Rate may require the Tender Agent to arrange for the purchase of such Bond under the Resolution;

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 a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owners of such Bond;

Business Day means any day other than a Saturday, Sunday, or a legal holiday in the State or any other day on which banking institutions in the city in which the principal corporate office of the Trustee is located are authorized or required by law to close or a day on which the New York Stock Exchange, the principal office of the Remarketing Agent, the office of the Bank at which drafts are to be presented under the Letter of Credit, the Tender Agent or the Trustee is authorized to be closed;

Capitalized Interest Account means the account within the Construction Fund so designated, created and established pursuant to Section 5.02 of the Resolution;

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

Construction Account means the account within the Construction Fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Construction Fund means the fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Continuously Adjustable Conversion Date means any date on which the Bonds commence bearing interest at the Continuously Adjustable Rate in accordance with the Resolution;

Continuously Adjustable Rate means the interest rate, from time to time, borne by the Bonds calculated and determined by the Remarketing Agent, as set forth in the Resolution;

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

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, initial fees and charges of the Bank, the Tender Agent, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

Cost of Issuance Account means the account within the Construction Fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Credit Facility means initially the Letter of Credit issued by the Bank applicable to the Bonds, in favor of the Trustee for the benefit of the holders of the Bonds, except for Custody Bonds, and thereafter any substitute letter of credit, binding line of credit, standby bond purchase agreement or other facility or facilities satisfactory to the Authority and the Trustee and satisfying the requirements of Section 5.17 of the Resolution;

Custody Bonds means any Bond during the period from and including the date of its purchase with amounts realized under the Credit Facility to but excluding the date on which such Bond is purchased and the Credit Facility is fully reinstated with respect to the drawings with which the Custody Bonds were purchased;

Daily Rate means the interest rate, from time to time, borne by the Bonds calculated and determined by the Remarketing Agent, as set forth in the Resolution;

Daily Rate Conversion Date means any date on which the Bonds are converted to Bonds bearing interest at the Daily Rate in accordance with the Resolution;

Debt Service Fund means the fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Debt Service Reserve Fund means the fund so designated and established pursuant to Section 5.02 of the Resolution;

Debt Service Reserve Fund Requirement means any amount required to be on deposit in the Debt Service Reserve Fund pursuant to Section 2.03(m) of the Resolution;

Defeasance Security means a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date;

Demand Purchase Option means the option granted to the registered owners of Bonds (other than Custody Bonds) bearing interest at the Daily Rate or Weekly Rate to require that such Bonds be purchased through the Tender Agent pursuant to the Resolution;

Depository or **DTC** means The Depository Trust Company, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated by an Authorized Officer of the Authority to serve as the securities depository for Book Entry Bonds, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution;

DTC Representation Letter means the DTC Representation Letter, dated the Issue Date from the Authority, the Institution, the Trustee, the Remarketing Agent and the Tender Agent to DTC with respect to the Bonds;

Exempt Obligation means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, “AA” or better by Moody’s

and S&P, or, if such obligation is not rated by Moody's and S&P, by Moody's or S&P, or, if such obligation is rated by neither Moody's nor S&P, has been assigned a comparable rating by another nationally recognized rating service acceptable to an Authorized Officer of the Authority;

Expiry Date shall have the same meaning as the term set forth in the Letter of Credit or any other agreement pursuant to which a substitute Credit Facility is issued pursuant to Section 5.15 of the Resolution;

Favorable Opinion of Bond Counsel means an opinion of Bond Counsel addressed to the Authority, the Bank, the Institution, the Remarketing Agent and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State, the Resolution, and the Bond Certificate and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation;

Fixed Rate means the interest rate or rates on the Bonds calculated and determined by the Remarketing Agent as set forth in the Resolution;

Fixed Rate Conversion Date means any day on which the Bonds are converted to Bonds bearing interest at a Fixed Rate in accordance with the Resolution;

Government Obligation means a direct obligation of the United States of America, an obligation the principal of, and interest on, which are guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of any federal agency approved by the Authority and which obligation is guaranteed by the United States of America, and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America;

Institution means Highland Community Development Corporation, a not-for-profit corporation duly organized and validly existing under the laws of the State, or any successor thereto;

Intercreditor Agreement means the agreement dated the Issue Date by and among the Authority, the Bank and the Trustee confirming certain rights and remedies of the parties thereto;

Interest Payment Date means: (i) when used with reference to any Bond bearing interest at the Continuously Adjustable Rate, each Required Purchase Date applicable to such Bond and any date on which such Bond is converted to a Bond bearing interest at the Daily Rate, the Weekly Rate, the Term Rate or the Fixed Rate; (ii) when used with reference to any Bond bearing interest at the Weekly Rate or the Daily Rate, the first Wednesday of each calendar month; (iii) when used with reference to any Bond bearing interest at the Term Rate or the Fixed Rate, each January 1 and July 1 after the Term Rate Conversion Date or the Fixed Rate Conversion Date; and (iv) when used with reference to any Custody Bond, the first Wednesday of each calendar month and, on any date on which such Bond has been remarketed to a Person other than the Bank pursuant to the Resolution, such date of that remarketing;

Interest Period means: (i) when used with reference to any Bond bearing interest at the Continuously Adjustable Rate or the Term Rate, the period from and including a Rate Adjustment Date applicable to such Bond to but excluding the immediately succeeding Required Purchase Date applicable to such Bond; (ii) when used with reference to any Bond bearing interest at the Daily Rate or the Weekly Rate, the period from and including a Rate Adjustment Date to but excluding the immediately succeeding Rate Adjustment Date; and (iii) when used with reference to any Bond bearing interest at the Fixed Rate, the period from and including the Rate Adjustment Date to but excluding the final maturity of the Bonds;

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution;

Issue Date means the date on which Bonds are first issued and delivered to purchasers thereof in accordance with the Resolution;

Letter of Credit means, prior to the expiration or earlier termination thereof, the irrevocable direct-pay letters of credit issued by the Bank in favor of the Trustee with respect to the Bonds contemporaneously with the issuance of the Bonds, as extended from time to time;

Loan Agreement means the Loan Agreement, dated as of January 26, 1994, by and between the Authority and the Institution entered into in connection with the issuance of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement;

Mandatory Purchase Date means the Daily Rate Conversion Date, the Weekly Rate Conversion Date, the Continuously Adjustable Conversion Date, the Term Rate Conversion Date, the Fixed Rate Conversion Date, the Substitution Date, the day immediately following the date upon which the Trustee is in receipt of a written notice from the Bank to the effect that an event of default under the Reimbursement Agreement has occurred and is continuing and the fifteenth day prior to the Stated Termination Date or, if any such date is not a Business Day, the immediately succeeding Business Day;

Maximum Rate means, when used with respect to the Daily Rate, the Weekly Rate, the Continuously Adjustable Rate or the Term Rate, the lesser of twelve percent (12%) per annum or such other maximum rate as permitted under a substitute Credit Facility. The Maximum Rate with respect to the Fixed Rate Bonds shall be the maximum rate permitted by law;

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

Mortgage means the mortgage granted by the Institution to the Authority pursuant to the Loan Agreement, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property, as security for the performance of the Institution's obligations under the Loan Agreement with respect to the Bonds and the Reimbursement Agreement with respect to the Letter of Credit, as such mortgage may be amended or modified from time to time;

Mortgaged Property means the land described in the Mortgage and the buildings and improvements thereon or hereinafter erected thereon and the fixtures, furnishings and equipment owned by the Institution and now or hereinafter located therein or thereon, as from time to time amended, supplemented or otherwise modified;

1994B Bonds means the Authority's Highland Community Development Corporation 1994B Issue in the aggregate principal amount of \$13,000,000;

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution, including Custody Bonds except: (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.06 of the Resolution; and (iv) any Bond tendered or deemed tendered in accordance with the provisions of the Resolution in lieu of which or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution, provided that the Purchase Price of such Bond, together with interest thereon through the date of purchase thereof, shall have been paid or moneys are available for such payment; Custody Bonds will be deemed to be Outstanding and pledged to the Bank, and the purchase thereof with the proceeds of a drawing on the Credit Facility shall not result in an extinguishment of the debt represented by such Bonds. For purposes of giving consents or directions or making requests to the Trustee, Bonds owned by or on behalf of the Institution (other than Custody Bonds) shall not be deemed to be Outstanding, and Custody Bonds shall be deemed to be Outstanding for such purposes and owned by the Bank. Bonds purchased upon tender and for the purchase of which sufficient funds are held by the Tender Agent, which Bonds are not delivered to the Tender Agent for purchase, are not Outstanding, but there will be Outstanding Bonds authenticated and delivered in lieu of such undelivered Bond as provided in the Resolution;

Participant means a DTC participant as defined in the Letter of Representation entered into between DTC, the Authority, the Remarketing Agent and the Trustee;

Paying Agent means the Trustee, acting in its capacity as Paying Agent under the Resolution;

Payment Account means the account within the Debt Service Fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Permitted Encumbrances means (1) the Mortgage, (2) the Resolution, (3) the Assignment of Mortgages, (4) the Assignment of Rents and (5) any other encumbrances or matters in connection with the Bonds or approved in writing by an Authorized Officer of the Authority or as set forth in the aforementioned documents;

Person means an individual, corporation, partnership, trust or unincorporated organization or any agency or political subdivision of a governmental unit;

Pledged Revenues shall mean the loan payments made by the Institution which are paid to the Trustee (other than payments to the Trustee in respect of the administrative

expenses of the Trustee and payments to the Trustee for deposits into the Arbitrage Rebate Fund); and all income and receipts on the funds (other than the Arbitrage Rebate Fund) held by the Trustee under the Resolutions;

Project means the construction and equipping of 96 independent living units, 48 enriched housing units and a common area in two and three story structures located on an approximately 46 acre site owned by the Institution located in the Town of Pittsford, New York;

Purchase Price means 100% of the principal amount of any Bond plus accrued and unpaid interest, if any, payable in connection with a purchase of such Bond pursuant to the Resolution;

Qualified Financial Institution means (i) 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, or an insurance company or association chartered or organized under the laws of any state of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by Moody’s and S&P or, if such obligations are not rated by Moody’s and S&P, by Moody’s or S&P, or, if such obligations are rated by neither Moody’s nor S&P, have been assigned a comparable rating by another nationally recognized rating service acceptable to an Authorized Officer of the Authority, but in no event shall such obligations be rated lower than the lowest rating assigned by Moody’s or S&P to any Outstanding Bond or (ii) 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;

Rate Adjustment Date means: (i) when used with reference to a Bond bearing interest at the Continuously Adjustable Rate, the Continuously Adjustable Conversion Date and each Required Purchase Date applicable to such Bond thereafter; (ii) when used with reference to a Bond bearing interest at the Daily Rate, the Daily Rate Conversion Date and each Business Day thereafter; (iii) when used with reference to a Bond bearing interest at a Fixed Rate, the Fixed Rate Conversion Date; (iv) when used with reference to a Bond bearing interest at the Weekly Rate, the Weekly Rate Conversion Date and Wednesday of each week thereafter; and (v) when used with reference to a Bond bearing interest at the Term Rate, the Term Rate Conversion Date and each Required Purchase Date thereafter;

Rating Agency means Moody’s if the Bonds are then rated by Moody’s and/or S&P, if the Bonds are then rated by S&P;

Record Date means the Business Day immediately preceding an Interest Payment Date, for a Bond bearing interest at the Daily Rate, the Weekly Rate and the Continuously Adjustable Rate or the fifteenth day of the month immediately preceding the month of an Interest Payment Date for a Bond bearing interest at the Term Rate or the Fixed Rate; provided that, if sufficient funds for the payment of interest on any Interest Payment Date are not available on such date, but are thereafter received by the Trustee, the Trustee shall establish a special “Record Date” for the payment of the overdue interest upon not less than 10 days’ written notice to the Bondholders;

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 to the Resolution or to the Bond Certificate;

Reimbursement Account means the account within the Debt Service Fund so designated, created and established pursuant to Section 5.02 of the Resolution;

Reimbursement Agreement means any agreement pursuant to which the Bank agrees to issue its Letter of Credit or Substitute Letter of Credit and the Institution agrees to reimburse the Bank or cause the Bank to be reimbursed for draws on the Letter of Credit or Substitute Letter of Credit;

Remarketing Agent means RBC Capital Markets, and its successor or successors, and any other person which may at any time be substituted in its place pursuant to the Resolution;

Remarketing Agreement means the Amended and Restated Remarketing Agreement between RBC Capital Markets, the Authority and the Institution and any successor agreement thereto or any agreement with any other person which may at any time be substituted in the place of RBC Capital Markets which, in each case, provides for performance of the duties and responsibilities of the Remarketing Agent under the Resolution;

Required Purchase Date means, with reference to Bonds bearing interest at the Continuously Adjustable Rate or the Term Rate, the day following the end of each Interest Period applicable to such Bonds;

Reserve Fund Facility means a letter of credit, insurance policy or surety bond issued to a financial institution which constitutes a part of the Debt Service Reserve Fund;

Reserve Requirement means such amount as shall be required by the Credit Facility with respect to each series of the Bonds but not in excess of (A) an amount equal to the lesser of (I) ten percent of the original principal amount of such Bonds, or (II) one hundred percent of “Maximum Annual Debt Service” due on such Bonds in the then current or any subsequent year ending July 1. For purposes of calculating the Reserve Requirement, Maximum Annual Debt Service for any year ending July 1 shall be an amount equal to the sum of (i) the principal amount of such Bonds subject to redemption through mandatory Sinking Fund Installment on July 1 of that year, and (ii) interest payable on such Bonds scheduled to be Outstanding in such year, assuming that such Outstanding Bonds bear interest at a rate of 7.5 percent per annum;

Resolution means the Revenue Bond Resolution (Highland Community Development Corporation 1994B Issue), as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof;

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

Sinking Fund Installment means, as of any date of calculation, the amount required by the Resolution or the Bond Certificate, to be paid on a particular date for the retirement of any Bond which matures after said date but does not include any amount payable by the Authority by reason only of (i) the maturity of a Bond, (ii) a call for redemption at the election of the Authority, or (iii) the payment of the Purchase Price pursuant to a properly exercised mandatory tender;

State means the State of New York;

Stated Termination Date shall have the same meaning as the term set forth in the Letter of Credit, or any other agreement pursuant to which a substitute Credit Facility is issued pursuant to Section 5.15 of the Resolution.

Substitution Date shall mean any date on which the Credit Facility then in effect is replaced with a substitute Credit Facility as provided in Section 5.15 of the Resolution;

Supplemental Resolution means any resolution of the Authority amending or supplementing the Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of Article IX of the Resolution;

Tax Certificate means the Tax Certificate as to Arbitrage and Instructions as to Compliance with Provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended, executed by an Authorized Officer of the Authority in connection with the issuance of the Bonds;

Tender Agent means the bank or trust company appointed as Tender Agent for the Bonds pursuant to Section 7.15 of the Resolution and having the duties, responsibilities and rights provided for therein and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

Term Rate means the interest rate, from time to time, borne by the Bonds calculated and determined by the Remarketing Agent, as set forth in the Resolution;

Term Rate Conversion Date means any day on which the Bonds are converted to Bonds bearing interest at a Term Rate in accordance with the Resolution;

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 therein, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant thereto;

Weekly Rate means the interest rate, from time to time, borne by the Bonds calculated and determined by the Remarketing Agent, as set forth in the Resolution;

Weekly Rate Conversion Date means any day on which the Bonds are converted to Bonds bearing interest at the Weekly Rate in accordance with the Resolution.

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Bonds and this 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.

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

Except to the extent that moneys are available therefor under the Resolution or the Loan Agreement including moneys in the Debt Service Fund, but excluding moneys from the Debt Service Reserve Fund and excluding interest accrued but unpaid on investments held in the Debt Service Fund, the Institution pursuant to the Loan Agreement unconditionally agrees to pay or cause to be paid, 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, such amount, if any, as in the reasonable judgment of an Authorized Officer of the Authority is necessary to pay the Costs of Issuance of the Bonds, including the Authority Fee and such other costs in connection with the issuance of the Bonds, to the extent not otherwise funded from proceeds of the Bonds;

(b) During any Interest Period other than a Fixed Rate Interest Period or Term Rate Interest Period, on the Business Day immediately preceding each Interest Payment Date for any Bond, an amount in immediately available funds equal to the interest payable on such Interest Payment Date;

(c) During the Fixed Rate Interest Period or a Term Rate Interest Period, on the tenth (10th) day of each month commencing on the tenth (10th) day of the month in which the Bonds commenced to bear interest at the Fixed Rate or Term Rate, as the case may be, one-sixth (1/6) of the interest coming due on the immediately succeeding Interest Payment Date; provided, however, that, if there are less than six (6) such payment dates prior to the first Interest Payment Date after the Fixed Rate Conversion Date or Term Rate Conversion Date, as the case may be, on each payment date prior to such Interest Payment Date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Interest Payment Date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such first Interest Payment Date;

(d) On the tenth (10th) day of each month commencing on the July 10 of the year in which the Bonds commence amortization either at maturity or as a Sinking Fund Installment, one-twelfth (1/12) of the principal and Sinking Fund Installment coming due on the immediately succeeding July 1;

(e) During the Daily Rate Interest Period or Weekly Rate Interest Period, on the Business Day on which any tendered Bonds which have not been remarketed pursuant to the Resolutions are to be purchased, an amount equal to the Purchase Price of such Bonds;

(f) On or before any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount required to pay the Redemption Price of such Bonds, and to the extent such amount need be Available Moneys as required by the Resolution to effect any such action, such payment shall be made and be on deposit as necessary to effect a redemption of the Bonds;

(g) (i) From the Issue Date to the date that no Bonds are Outstanding, an Annual Administrative Fee with respect to the Bonds in an amount equal to .05 % of the aggregate principal amount of the Bonds issued by the Authority. The Annual Administrative Fee shall be payable semiannually on each June 10 and December 10 through the final maturity date or earlier date of redemption in full of the Bonds;

(ii) Upon the conversion of the Bonds to the Fixed Rate Interest Period, all internal expenses and all out-of-pocket expenses of the Authority;

(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) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (ii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing of the Project, (iii) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement, or the Resolution in accordance with the terms of the Loan Agreement and the Resolution, and (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution;

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

(j) Promptly upon demand by an Authorized Officer of 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;

(k) Promptly upon demand by an Authorized Officer of the Authority in the event that there shall not have been paid for deposit in the Payment Fund at the time required therefor pursuant to the Resolution to the Trustee the full amount required to pay the principal and interest on the Bonds when due the Institution will cause funds to be made available to the Trustee in an amount sufficient to pay principal of and interest due on such Bonds; and

(l) On each December 10, and on each June 10 of a Bond Year, and at such times as the Trustee has withdrawn amounts from the Debt Service Reserve Fund in accordance with the provisions of the Resolution, the amount necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement pursuant to the terms of the Loan Agreement and the Resolution, payments required to be made pursuant to this paragraph may be made by delivery to the Trustee of Securities for deposit in the Debt Service Reserve Fund valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution, at not less than the payment then to be made.

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

As further consideration for the issuance of the Bonds and the loan of the proceeds of the Bonds, the Institution hereby agrees to cause the Letter of Credit to be issued in the name of and delivered to the Trustee concurrently with, or prior to, the authentication and delivery of the Bonds.

Notwithstanding any provision in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by or on behalf of the Institution to the Trustee pursuant to paragraphs (b), (c), (d), (e) and (f) hereinabove (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee in satisfaction of the Institution's indebtedness with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and shall be deemed received by the Authority from the Institution as a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on or principal or Redemption Price of the Bonds to the extent of such payment. Immediately after receipt

of such moneys by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Bondholders. Amounts paid by the Bank under the Letter of Credit and which have not been reimbursed in full to the Bank pursuant to the Reimbursement Agreement, shall not constitute or be considered amounts paid by or on behalf of the Institution under the Loan Agreement including, but not limited to, an amount equal to any principal and interest payments on the Bonds.

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 nonhappening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee, or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds or the Resolutions are 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 nonperformance. 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.

An Authorized Officer of 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 (other than with respect to interest due prior to the Fixed Rate Conversion Date). The failure to furnish such statements shall not excuse nonpayment of the amounts payable under the Loan Agreement at the time and in the manner provided hereby.

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

The Institution shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution or for reimbursement of the Bank in accordance with the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund made pursuant to the Loan Agreement, the Authority agrees, if and to the extent the amount so paid constitutes Available Moneys, to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.
(Section 8)

Covenant as to Transfer, Sale or Pledge of the Project. Subject to the provisions of the Loan Agreement regarding use of the Project and other tax covenants, the Institution covenants that it shall not transfer, sell, hypothecate or convey any interest in the Project or any part thereof or interest therein, including development

rights, without first delivering to the Authority and the Trustee a written opinion of Bond Counsel that such transfer, sale, hypothecation or conveyance does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; provided, however, nothing in the Loan Agreement shall be construed as prohibiting the Institution from granting any utilities, sewer, water, roadway or other municipal easements or rightways or dedicating the common roadways to a municipality as specifically set forth in the Mortgage.
(Section 12)

Representations of Institution. The Institution represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into the Loan Agreement and to incur the indebtedness contemplated thereby. The Institution further represents that the provisions thereof are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms except as enforcement thereof may be limited by bankruptcy or principles of equity. The Institution covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect all of the rights of the Authority and the Trustee under the Loan Agreement, under the Mortgage and under the Resolution against all claims and demands of all persons whomsoever. The Institution further represents that the execution and delivery of the Loan Agreement, and the consummation of the transactions contemplated thereby and compliance with the provisions thereof do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.
(Section 13)

Tax-Exempt Status.

The Institution represents that it (i) is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) has received a letter or other notification from the Internal Revenue Service to that effect and such letter or other notification has not been modified, limited or revoked, (iii) is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification and 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) is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that it (a) shall not perform any act or enter into any agreement which would adversely affect such federal income tax status and shall conduct their operations in the manner which conforms to the standards necessary to qualify the Institution as a charitable organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Institution or the Related Corporations, which would adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

On the date on which the Bonds are issued, the Institution shall certify that the principal amount of Bonds and other obligations issued by or for the benefit of the Institution or any of the Affiliate, the interest on which is excluded from gross income for such purposes of federal income taxes, and which are treated as outstanding for such purposes of the Code, does not exceed the limitation thereon imposed by Section 145(b) of the Code. In addition, the Institution shall promptly notify the Authority upon the issuance of any notes, bonds or other obligations (other than those issued by the Authority) by or for the benefit of the Institution or any Affiliate, the interest on which is excluded from gross income for the purposes of federal income taxes.
(Section 14)

Use of Project. The Institution agrees that the portion of the Project financed with the proceeds of the Bonds shall be occupied and used by the Institution only as a facility for the aged (as defined in the Act).

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) the Project and the Mortgaged Property, (ii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in

connection with any part thereof, and (iii) the maintenance, repair and replacement of the Project and the Mortgaged Property.

The Institution agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any portion thereof shall not be used for sectarian religious 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 the Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by the Bonds is being used for any purpose proscribed hereby. The Institution hereby 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 the Project to the restriction that (i) so long as such portion of the Project (and, if included in the Project, the real property on or in which such portion of the Project is situated) shall exist and (ii) until such portion of the Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of the Project shall not be used for sectarian religious 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 insistence 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, then applicable law would permit such portion of the Project or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of the provisions described in this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Sections 18 and 19)

Covenants 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.

The Institution shall, with respect to the Project, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers acceptable to an Authorized Officer of the Authority, the following insurance:

(a) with respect to any building the construction of which shall not have been completed (and until insurance is procured pursuant to paragraph (b) of this subdivision), builders' risk insurance against direct physical loss or damage thereto by fire and lightning, extended coverage perils and vandalism and malicious mischief. The amount of such insurance shall be on a one hundred per centum (100 %) completed value basis on the insurable portion. The builders' risk coverage will include the prime contractors as named insureds as their interests may appear;

(b) at all times (except during a period when builders' risk insurance is in effect as required by paragraph (a) of this subdivision), insurance against direct physical loss or damage to the Project by fire and lightning, extended coverage perils and vandalism and malicious mischief on the plant, structure, machinery, equipment and apparatus comprising the insured property, in an amount not less than eighty per centum (80%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; provided, however, that the inclusion of the Project under a blanket insurance policy or policies of the Institution against the aforesaid hazards in an amount aggregating at least ninety per centum (90 %)

of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall constitute complete compliance with the provisions of this paragraph with respect to the Project; provided further, that in any event, each such policy shall be in an amount sufficient to prevent the Institution and the Authority from becoming co-insurers under the applicable terms of such policy;

(c) at all times, workers' compensation insurance, disability benefits insurance and each other form of insurance which the Institution is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees;

(d) at all times, insurance protecting the Authority and the Institution against loss or losses from liabilities arising from bodily injury or persons or damage to the property of others caused by accident or occurrence, with limits of not less than \$1,000,000 per accident or occurrence on account of injury to persons, and \$500,000 per accident or occurrence on account of injury to the property of others, excluding liability imposed upon the Authority or the Institution by any applicable workers' compensation law;

(e) commencing with the date on which any building or improvement comprising the Project or any part thereof is completed or first occupied, or any equipment, machinery, fixture or personal property covered by comprehensive boiler and machinery coverage is accepted, whichever occurs earlier, insurance providing comprehensive boiler and machinery coverage in an amount considered adequate by an Authorized Officer of the Authority, which insurance may include deductible provisions approved by an Authorized Officer of the Authority; and

(f) such other kinds of insurance in such amounts as from time to time may be reasonably required by an Authorized Officer of the Authority.

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

No provision of the Loan Agreement shall be construed to prohibit the Institution from self-insuring against any risk at the recommendation of an insurance consultant chosen by the Institution and approved by an Authorized Officer of the Authority; provided, however, that the Institution shall provide adequate funding of such self-insurance if and to the extent recommended by such insurance consultant and approved by an Authorized Officer of the Authority.

Each policy maintained pursuant to the Loan Agreement shall provide that the insurer writing such policy shall give at least thirty (30) days notice in writing to the Authority of the cancellation or non-renewal or material change in the policy unless a lesser period of notice is expressly approved in writing by an Authorized Officer of the Authority. The Institution, not later than January 1 of each year, shall provide to the Authority a list describing all policies of insurance maintained by the Institution pursuant to this Section stating with respect to each such policy (i) the insurer, (ii) the insured parties or loss payees, (iii) the level of coverage, and (iv) such other information as an Authorized Officer of the Authority may have reasonably requested.

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

All policies of insurance required pursuant to the Loan Agreement, other than policies of workers' compensation insurance, shall include the Authority and the Institution, as named insurers or as loss payee as their interests may appear.

In the event the Institution fails to provide the insurance required by the Loan Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required by the Loan Agreement at the expense of the Institution. The policies procured and maintained by the Authority shall be open to inspection by the Institution at all reasonable times, and, upon request of the Institution a complete list describing such policies as of the June 30 preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.
(Section 21)

Damage or Condemnation. In the event of a taking of the Project or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be applied in accordance with the provisions of the Resolution, the Intercreditor Agreement and the Mortgage, and after application thereunder any excess shall be paid upon receipt thereof by the Institution or the Authority to the Trustee for deposit in the Reimbursement Account.

If within 30 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution, the Bank and the Authority agree in writing that the Project or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project 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 Bank and the Authority. 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 Bank and the Authority may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institution. If no agreement for the repair, restoration or replacement of the Project or the affected portion thereof shall be reached by the Bank and the Authority and the Institution within such 30 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution) shall be transferred from the Construction Funds in which such proceeds were deposited to the Debt Service Fund for the redemption at par, at the option of the Authority, of Bonds on any future interest payment date.

The provisions of the preceding paragraph to the contrary notwithstanding, in the event that the proceeds with respect to any such condemnation, damage or destruction do not exceed \$500,000, the Institution may elect to apply such proceeds to the repair, replacement or restoration of the Project without the consent of the Authority or the Bank.
(Section 22)

Defaults and Remedies.

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

(a) the Institution shall default in the payment when due of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be paid in accordance herewith 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; provided, however, in the event the breach of the covenant is of such a nature that it cannot be remedied, in the judgment of the Authority within thirty (30) days, there shall be no default so long as the Institution is diligently pursuing all possible remedial actions;

(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 (i) be generally not able to pay 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 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;

(e) 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;

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

(g) a petition to dissolve the Institution or revoke its license to operate its facilities shall be filed by the Institution with the legislature of the State or other governmental authority having jurisdiction over the Institution;

(h) 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;

(i) 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;

(j) 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;

(k) 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 forty-five (45) 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 forty-five (45) 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;

(l) the letter or certificate of representation delivered pursuant to the Loan Agreement shall contain material misrepresentations as to the Institution and its ownership of or interest in the Project; or

(m) the occurrence and continuation of an Event of Default under the Mortgage or the Reimbursement Agreement.

Upon the occurrence of an Event of Default the Authority may 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 Funds or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply such proceeds or moneys for such purposes as are authorized by the Resolution; provided, that the Bank shall be given a reasonable opportunity in the judgment of the Authority to cure any such default giving rise to any such direction other than a default which in the Authority's judgment results in either a violation of the statutory purposes under the Act pursuant to which the Bonds were issued or threatens to cause the interest on the Bonds to be includable in the gross income of holders of such Bonds;
- (c) withhold any or all further performance under the Loan Agreement;
- (d) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution;
- (e) take any other action or proceeding permitted by the terms of the Loan Agreement or by law;
- (f) 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 under the Loan Agreement or from the Resolutions;
- (g) [Reserved]
- (h) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, under the Mortgage, under the Assignment of Rents, 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, the Assignment of Rents, or by law; and
- (i) realize upon any security interest in the fixtures, furnishings and equipment constituting a part of the Project, including any one or more of the following actions: (i) 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 each of the Mortgages, 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.

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

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 27)

Tax Covenants. The Institution covenants and agrees as follows:

(a) The Institution shall take no action, nor shall it consent to the taking of any action, the making of any investment or the use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority.

(b) The Institution shall not take or cause to be taken any action or omit to take or permit the omission of any action legally available to it, and will not approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, if any such action or omission would cause interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes.

(c) Notwithstanding any other provision in the Loan Agreement to the contrary, the Institution will not sell, lease or otherwise dispose of property financed or refinanced with an amount of proceeds of the Bonds, except: (i) if prior to such sale, lease or other disposition there is delivered to the Trustee and the Authority certificate of an Authorized Officer of the Institution stating that, in the judgment of the signer, such property has become inadequate, obsolete or worn out; or (ii) if prior to such sale, lease or disposition, there is delivered to the Trustee and the Authority a written opinion of nationally recognized municipal bond counsel or a ruling of the Internal Revenue Service to the effect that any such disposition will not adversely affect the exclusion of the interest paid on the Bonds from gross income of the owners thereof for federal income tax purposes.

(Section 32)

Rebate Calculation.

The Authority agrees that, unless the Institution shall be in default under the Loan Agreement or an Event of Default under the Loan Agreement has occurred and is continuing, prior to rebating any amount to the Department of the Treasury of the United States of America, the Authority shall consult with the Institution; provided, however, that such consultation shall not be a condition precedent to any action to be taken by the Authority or the Trustee pursuant to a direction of, or upon receipt of a notice from, the Authority, and failure to consult with the Institution shall not affect the validity of any action taken by the Trustee pursuant to such direction or upon receipt of such notice.

The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of the amount, if any, to be rebated to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(Section 33)

Amendments to Loan Agreement. The Loan Agreement may be amended only in accordance with the Resolutions and each amendment shall be made by an instrument in writing signed by an Authorized Officer of the Institution and of the Authority, an executed counterpart of which shall be filed with the Trustee and with the consents of the Bank or the Bondholders as required by the Resolution.

(Section 38)

Termination. The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under the Loan Agreement and the obligation to provide reimbursement to the Bank or for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. Upon such termination, an Authorized Officer of 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, and the release or surrender of any security interests granted by the Institution to the authority pursuant hereto.

(Section 39)

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**SUMMARY OF CERTAIN PROVISIONS OF
THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution pertaining to the Bonds and the Project. Except as noted herein, the provisions described in such summary are identical in the Resolution. Such 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 shall have the meanings ascribed to them in Appendix A.

Resolution and Bonds Constitute a Contract. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of such 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, the Bank and the Holders from time to time of the 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 Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other thereof except as expressly provided in the Resolution or permitted by the Resolution; provided, however, that the pledge and assignment made in the Resolution as security for the payment of the Bonds shall, to the extent set forth under the heading “Pledge of Funds”, be of equal rank with the pledge and assignment made therein as security for the Bank. (*Section 1.03*)

Collateral Assignment of Certain Rights and Remedies to the Trustee and the Bank. As security and collateral for (x) 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 any other obligation of the Authority under the Resolution and (y) the payment of all amounts owed to the Bank pursuant to the Reimbursement Agreement and for the performance of any other obligations of any applicant thereunder, the Authority, by the Resolution, assigned to the Trustee all of the Authority’s estate, right, title, interest and claim in, to and under the Mortgage and Assignment of Rents, together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith) all insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under or in connection with the Mortgage and Assignment of Rents, and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under or in connection with the Mortgage and Assignment of Rents, subject to the following conditions: (a) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and, (b) that the Mortgage and Assignment of Rents may not be assigned by any party thereto without the written consent of the other parties thereto except to the Trustee and the Bank as permitted hereby and except as provided in the Intercreditor Agreement; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of the Institution made with respect to the Mortgage and the Assignment of

Rents pursuant to this paragraph shall secure only the payment of the amounts payable under the Mortgage and the Assignment of Rents, and the amounts payable under the Reimbursement Agreement. In addition, to the extent necessary to reflect the issuance of a substitute Credit Facility, an Authorized Officer of the Trustee shall, upon request of an Authorized Officer of the Authority, execute and deliver such amendments to or supplements of such assignment as shall be necessary to add the provider of such Credit Facility as beneficiary of such assignment. *(Section 1.04)*

Pledge of Funds. The proceeds from the sale of the Bonds and all funds established by the Resolution (other than the (i) Arbitrage Rebate Fund and (ii) the Reimbursement Account of the Debt Service Fund), are thereby pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution, all in accordance with the provisions thereof. The pledges made by the Resolution are valid, binding and perfected from the time when the pledges attach and the proceeds from the sale of the Bonds, all funds and accounts established thereby which are pledged thereby and such moneys and securities shall immediately be subject to the lien of such pledges without any physical delivery thereof or further act, and the lien of such pledges 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 pledges are created nor any financing statement need be recorded or filed. The Bonds are special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Bonds and the funds established by the Resolution and which are pledged thereby as provided therein, which pledge shall constitute a first lien thereon. *(Section 5.01)*

Establishment of Funds and Accounts. The following funds and accounts are established and, except as noted, shall be maintained by the Trustee:

- Construction Fund;
 - Construction Account;
 - Cost of Issuance Account;
 - Capitalized Interest Account;
- Debt Service Fund;
 - Interest Account;
 - Amortization Account;
 - Payment Account (maintained by the Tender Agent);
 - Reimbursement Account;
- Arbitrage Rebate Fund; and
- Debt Service Reserve Fund.

All moneys at any time deposited in any fund, account or subaccount created by the Resolution other than the Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of Bonds and the Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution. *(Section 5.02)*

Payment Account of the Debt Service Fund. Moneys in the Payment Account shall be used solely for the payment of Purchase Price, principal of (premium, if any, on) and interest on the Bonds. The Payment Account shall constitute a trust account in the Debt Service Fund under the Resolution, and shall be held by the Tender Agent pursuant to the Resolution.

In addition to any deposit required under the Resolution, on any day on which the Purchase Price, principal (at maturity or upon acceleration) or redemption price of or interest on the Bonds is due and payable, there shall be deposited as soon as practicable when the same is received by the Tender Agent, into the Payment Account an amount equal to the portion so due and payable in respect of principal or premium, and an amount equal to the portion representing accrued interest. Such moneys shall be deposited from the following sources, in the order of listing set forth below.

(i) Deposits for principal payments shall be made:

(a) in the case of the principal portion of any Purchase Price, from the proceeds of the remarketing of the Bonds pursuant to the Resolution (other than proceeds representing accrued interest), except from such Bonds sold to the Authority, the Institution or any of the Institution's Affiliates;

(b) from moneys, if any, received from draws by the Trustee on the Credit Facility pursuant to the Resolution (such moneys to be held in a separate, segregated subaccount within the Payment Account, not to be commingled with any other moneys or deposited in any other subaccount);

(c) moneys made available for such purposes by the Institution; and

(d) if the Credit Facility is no longer in effect and the Bank fails to honor a draw on the Letter of Credit then, to the extent of any resulting deficiency in amounts available to pay principal of Bonds (at maturity or upon redemption or acceleration), (1) first from the Amortization Account of the Debt Service Fund, (2) second from other moneys available to the Trustee (such moneys to be held in a separate, segregated subaccount in the Payment Account, not to be commingled with any other moneys or deposited in any other subaccount except as expressly provided in the Resolution) and (3) third from moneys on deposit in the Debt Service Reserve Fund.

(ii) Deposits for interest payments shall be made:

(a) in the case of the portion of any Purchase Price representing interest, from the proceeds of the remarketing of the Bonds pursuant to the Resolution representing accrued interest, except from such Bonds sold to the Authority, the Institution or any of the Institution's Affiliates;

(b) from moneys, if any, received from draws by the Trustee on the Credit Facility pursuant to the Resolution (such moneys to be held in a separate, segregated subaccount within the Payment Account, not to be commingled with any other moneys or deposited in any other subaccount);

(c) moneys made available for such purposes by the Institution; and

(d) if the Credit Facility is no longer in effect, the Bank fails to honor a draw on the Letter of Credit then, to the extent of any resulting deficiency in amounts available to pay regularly scheduled interest (or at maturity, upon redemption or acceleration) (1) first from the Interest Account of the Debt Service Fund, (2) second from other moneys available to the Trustee (such moneys to be held in a separate, segregated subaccount in the Payment Account, not to be commingled with any other moneys or deposited in any other subaccount except as expressly provided in the Resolution), and (3) third from moneys (including moneys realized as a result of a drawing on the Reserve Fund Facility) on deposit in the Debt Service Reserve Fund.

(iii) Deposits for any premium payable upon redemption of Bonds shall be made, if available under the Credit Facility in effect at the time of such redemption, from draws by the Trustee under the Credit Facility in accordance with its terms or, if not so available, from the Amortization Account of the Debt Service Fund (subject to the further provisions of the Resolution, to the extent applicable).

The Paying Agent shall, on any date the principal or redemption price of and interest on the Bonds or Purchase Price thereof is due, draw moneys from the Payment Account to make such payments. The Trustee will provide the Paying Agent with funds, to the extent available, as needed by the Paying Agent to purchase Bonds pursuant to puts and purchases upon required or mandatory purchase, and the Paying Agent will pay the Purchase Price of Bonds previously delivered to it pursuant to puts or purchases upon required or mandatory purchase.

In no event shall any moneys other than remarketing proceeds or amounts drawn on the Credit Facility pursuant to Section 5.14 of the Resolution be applied to the payment of the Purchase Price, redemption price or principal of or interest on the Bonds if such moneys are available for such purpose or if moneys are available and may be drawn under the Credit Facility for such purpose. (*Section 5.05*)

Reimbursement Account of the Debt Service Fund. Moneys in the Reimbursement Account shall be used solely to reimburse the Bank for draws made on the Letter of Credit.

On any day on which the Credit Facility has been drawn on to pay the principal portion of the Purchase Price of any Bonds or the principal of such Bonds (at maturity or upon prior redemption or acceleration) or at such subsequent times when funds are available for

reimbursement to the Bank or such Credit Facility, shall be reimbursed for such payment in respect of principal from moneys on deposit in the Reimbursement Account. Such moneys shall be deposited from the following sources, in order of listing:

- (i) proceeds, if any, from the remarketing of such Bonds (exclusive however, of proceeds required to be applied as set forth under paragraph (i)(a) under the heading “Payment Account of the Debt Service Fund”);
- (ii) funds on deposit in the Amortization Account of the Debt Service Fund; and
- (iii) funds (including moneys realized as a result of a drawing on the Reserve Fund Facility) on deposit in the Debt Service Reserve Fund.

The Trustee shall transfer the necessary moneys from the Debt Service Fund and the Debt Service Reserve Fund to the Reimbursement Account on the date of the Credit Facility draw or subsequently when requested by the Tender Agent with respect to such draws in the amount requested by the Tender Agent. If the Bank honors a claim on such Letter of Credit, the Tender Agent shall notify the Trustee of the amounts so deposited with the Tender Agent. Upon receipt of such notice, the Trustee immediately shall transfer an amount equal to the amount so drawn as specified above. If the Bank shall fail to honor a draw on such Letter of Credit, the Tender Agent shall transfer such moneys to the Payment Account to the extent necessary to pay the principal or redemption price due or the principal portion of the Purchase Price of the Bonds.

The foregoing provisions regarding principal shall also be applicable to redemption premiums if funds for such premiums are available under the Credit Facility (if any) in effect on the redemption date.

On any day on which the Credit Facility has been drawn on to pay interest on the Bonds or at such subsequent times when funds are available therefor, the Bank shall be reimbursed for such payment in respect of interest from moneys on deposit in the Reimbursement Account. Such moneys shall be deposited from the following sources, in order of listing:

- (i) proceeds, if any, from the remarketing of such Bonds (exclusive however of amounts required to be applied as described under the heading “Payment Account of the Debt Service Fund”);
- (ii) funds on deposit in the Interest Account of the Debt Service Fund; and
- (iii) funds (including moneys realized as a result of a drawing on the Reserve Fund Facility) on deposit in the Debt Service Reserve Fund.

The Trustee shall, on the date of such Credit Facility draw or, subsequently when requested by the Tender Agent with respect to such draw, transfer the necessary moneys from the Debt Service Fund and the Debt Service Reserve Fund to the Reimbursement Account in the amount of such draw or requested by the Tender Agent, as the case may be, in order to reimburse

the Bank. If the Bank honors a claim on such Letter of Credit, the Tender Agent shall notify the Trustee of the amounts so deposited with the Tender Agent. Upon receipt of such notice, the Trustee immediately shall transfer an amount equal to the amount so drawn as specified above. If the Bank fails to honor a draw on such Letter of Credit, the Tender Agent shall transfer the moneys in the funds described above to the Payment Account to the extent necessary to pay interest due on such Bonds.

The foregoing deposits and payments shall not be required if and to the extent that the amounts described above are paid directly to the Bank, as provided in the heading "Use of Moneys in the Debt Service Fund" described below. (*Section 5.06*)

Use of Moneys in the Debt Service Fund. The Trustee shall deposit all payments made under the Loan Agreement attributable to payments of the principal of the Bonds in the Amortization Account of the Debt Service Fund and all payments made under the Loan Agreement attributable to interest payments on such Bonds in the Interest Account of the Debt Service Fund. Additional deposits into the appropriate account of the Debt Service Fund shall be made from moneys (other than draws under the Credit Facility) as provided pursuant to the Resolution and from the Construction Fund.

Moneys in the Interest Account shall be used for the following payments on the following dates and in the following order of priority:

(a) Prior to 9:30 a.m. on the date any regularly scheduled interest is due on the Bonds or interest due at maturity, upon redemption or acceleration (if a Credit Facility is no longer in effect with respect to the Bonds) and prior to 2:00 p.m. on the date any regularly scheduled interest is due on such Bonds or interest due at maturity, upon redemption or acceleration (if a Credit Facility is in effect with respect to such Bonds and the Bank fails to honor a draw on such Letter of Credit), there shall be transferred to the Payment Account an amount which, together with any other amounts then on deposit in the Payment Account for the purpose of such interest payments, shall be equal to such interest becoming due on such Bonds on such date.

(b) On the date of any draw on the Credit Facility to pay regularly scheduled interest due on such Bonds, or interest due at maturity, upon redemption or acceleration (or otherwise on any subsequent Business Day when requested by the Tender Agent), there shall be transferred to the Reimbursement Account an amount equal to such draw.

Moneys in the Amortization Account shall be used for the following payments on the following dates and in the following order of priority:

(a) Prior to 9:30 a.m. on each date on which the principal of the Bonds (at maturity or upon redemption or acceleration) is due (if a Credit Facility is no longer in effect with respect to the Bonds) and prior to 2:00 p.m. on each date on which such principal is due (if a Credit Facility is in effect with respect to such Bonds and the Bank fails to honor a draw on such Letter of Credit), moneys in such Amortization Account in an amount which, together with any other amounts then on deposit in the Payment Account for the purpose of such principal payments, shall be equal to such principal (other than moneys in a separate subaccount for

redemption premiums) shall be transferred to such Payment Account and used to pay such principal. Otherwise, on each date on which the principal of such Bonds is due (or otherwise on any subsequent Business Day when requested by the Tender Agent), the moneys in the Amortization Account (other than moneys in a separate subaccount for redemption premiums) shall be transferred to the Reimbursement Account in an amount equal to such draw on such Credit Facility.

(b) On the date, if any, on which any redemption premium shall be due on such Bonds, moneys deposited in the Amortization Account in respect of such premiums (including moneys in any separate subaccount established pursuant to the Resolution) shall be transferred to the Reimbursement Account, unless the Credit Facility is no longer in effect or does not cover premiums, in which case such moneys shall be transferred to the Payment Account to be used to pay the premium on such Bonds coming due on such date.

(c) On the fifteenth (15th) calendar day of each month, when requested by the Tender Agent, money in the Amortization Account of the Debt Service Fund which is not required for the purposes of (a) and (b) above shall be transferred to the Reimbursement Account in an amount up to the amount necessary to reimburse the Bank for draws made on the Letter of Credit, in accordance with the provisions described under the heading "Reimbursement Account of the Debt Service Fund."

Notwithstanding the foregoing, the Institution may, upon written notice to the Trustee, in its discretion, cause amounts to be reimbursed to the Bank, to be paid directly to the Bank, in which event the foregoing deposits into and transfers from the Debt Service Fund in respect of amounts so to be reimbursed shall not be required. Such deposits and transfers shall again be required if the Trustee receives notice from the Institution that it has discontinued such practice, if the Trustee receives notice from the Bank that any reimbursement has not been made when due, or upon direction of the Authority. (*Section 5.07*)

Arbitrage Rebate Fund. The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, 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. If and to the extent required by the Code, the Authority shall determine the amount to be on deposit in the Arbitrage Rebate Fund and shall direct the Trustee to transfer such amount from any other funds held by the Trustee under the Resolution to the Arbitrage Rebate Fund.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited in accordance with the directions of such Authorized Officer. (*Section 5.08*)

Debt Service Reserve Fund. The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of the Bonds, if any, as shall be prescribed in the Resolution or the Bond Certificate, 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.

In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations otherwise required to be deposited in the Debt Service Reserve Fund, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of such Debt Service Reserve Fund Requirement provided that any such Reserve Fund Facility satisfies certain requirements set forth in the Resolution.

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

For the purpose of the Resolution, in computing the amount on deposit in the Debt Service Reserve Fund, a letter of credit, a surety bond or an insurance policy shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

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, Sinking Fund Installments, Redemption Price and Purchase Price of the Bonds or to the reimbursement of the Bank for draws upon the Letter of Credit at the times and in the amounts required to comply with the provisions of the Resolution provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from such Debt Service Reserve Fund pursuant to this paragraph cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of a Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under the Reserve Fund Facility pro rata based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility deposited in a Debt Service Reserve Fund, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

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

If, upon a valuation, the value of all moneys, Government Obligations and Exempt Obligations held for the credit of a Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, the Bank, the Facility Provider and the Institution 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 5.09*)

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of the Debt Service Fund, pursuant to the provisions described under the heading “Computation of Assets of Certain Funds” described below, 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 be redeemable, the Trustee shall so notify the Authority, the Bank 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 hereby and by the Resolution. (*Section 5.11*)

Computation of Assets of Certain Funds. The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority or the Bank, (iii) upon the request of the Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit from or to the Debt Service Reserve Fund made pursuant to the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority, the Bank and the Institution as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement. (*Section 5.12*)

Transfer of Investments. Whenever moneys in any fund established under the Resolution are to be paid in accordance herewith to another such fund, such payment may be made, in whole or in part, by transferring to such other fund investments held as part of the fund from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund or in a violation of the Resolution, relating to the exclusion from gross income of the interest from the Bonds. (*Section 5.13*)

Drawings Under Credit Facility.

(a) Prior to 4:00 p.m. New York City time, on the Business Day preceding each day on which principal of Bonds becomes due (or at such other time as shall be necessary to

enable the proceeds of a drawing to be applied to the timely payment of the amounts specified below), whether at scheduled maturity or upon redemption or acceleration, the Trustee shall draw an amount on the Letter of Credit in accordance with its terms equal to the aggregate principal amount of such Bonds coming due or subject to redemption, to the extent required by the Resolution as described under the heading "Payment Account of the Debt Service Fund," for deposit in the Payment Account to be used to pay the principal (at maturity or upon redemption or acceleration) of such Bonds. The foregoing shall also be applicable to redemption premiums, if funds for such premiums are available under such Letter of Credit.

(b) Prior to 4:00 p.m. New York City time, on the Business Day preceding each day on which interest on Bonds becomes due (or at such other time as shall be necessary to enable the proceeds of a drawing to be applied to the timely payment of the amounts specified below), whether at maturity or upon acceleration or upon redemption of such Bonds or otherwise, the Trustee shall draw on the Letter of Credit in accordance with its terms an amount equal to the amount of interest on such Bonds coming due for deposit in the Payment Account to be used to pay the accrued interest on such Bonds.

(c) The provisions of paragraphs (d) and (e) below to the contrary notwithstanding, in accordance with the provisions of the Resolution described under the heading "Payment Account of the Debt Service Fund" the Trustee shall only make draws to pay the Purchase Price of Bonds if, and to the extent that, remarketing proceeds from any Person, other than the Authority or the Institution or any of the Institution's respective Affiliates, are unavailable; provided, however, the Trustee shall draw on the Credit Facility in accordance with its terms to purchase all Bonds tendered for mandatory purchase as described in the Official Statement under the caption "Part 3 - The Bonds – Description of the Bonds -- Mandatory Tender of Bonds."

(d) Prior to 11:30 a.m. New York City time, on each Business Day on which a portion of the purchase price corresponding to principal of Bonds becomes due (or at such other time as shall be necessary in order to comply with the provisions of the Resolution described under the heading "Purchases Through the Credit Facility," or in order to enable the proceeds of a drawing to be applied to the timely payment of the amounts specified below), as a result of a purchase of Bonds pursuant to the Resolution, the Trustee shall draw an amount on the Letter of Credit in accordance with its terms equal to a portion of the purchase price corresponding to the aggregate principal amount of such Bonds subject to purchase, to the extent required by the Resolution, for deposit in the Payment Account to be used to pay a portion of the purchase price corresponding to the principal of such Bonds on such purchase date.

(e) Prior to 11:30 a.m. New York City time, on each Business Day on which a portion of the purchase price corresponding to interest on Bonds becomes due (or at such other time as shall be necessary in order to comply with the provisions of the Resolution described under the heading "Purchases Through the Credit Facility," or in order to enable the proceeds of a drawing to be applied to the timely payment of the amounts specified below), as a result of a purchase of Bonds pursuant to the Resolution, the Trustee shall draw on the Letter of Credit in accordance with its terms an amount equal to a portion of the purchase price corresponding to the amount of interest on such Bonds subject to purchase for deposit in the Payment Account to be used to pay the accrued interest on such Bonds.

(f) The Trustee shall not make any drawing under a Credit Facility, nor use the proceeds of any drawings thereunder, to pay the principal, redemption price or purchase price of or interest on Custody Bonds. (*Section 5.14*)

Extension of Letter of Credit; Substitution of Credit Facility.

(a) The Letter of Credit currently has an expiration date the earliest to occur of the Bank's close of business on: (i) July 16, 2009 (the "Stated Termination Date"), (ii) the date which is five (5) days following the Substitution Date or the Fixed Rate Conversion Date, (iii) the date which is twenty (20) days following receipt by the Trustee and the Authority of a written notice from the Bank to the effect that an event of default under the Reimbursement Agreement has occurred and is continuing or (iv) the date upon which the Trustee surrenders the Letter of Credit for cancellation. The Expiry Date, as defined in the Reimbursement Agreement, is subject to extension as provided in the Reimbursement Agreement. The Trustee shall give the Authority and each Rating Agency written notice of any extension of the Expiry Date of the Credit Facility or any amendment thereto (or of any substitute Credit Facility) promptly upon receiving written notice of such extension or amendment. The Bonds shall be subject to mandatory purchase prior to the Expiry Date as set forth in the Resolution.

(b) The Institution may, at any time prior to the Expiry Date as set forth in the Reimbursement Agreement (as originally established, or as such date may be extended) provide for the replacement of the Credit Facility, in whole or in part, by the delivery of a substitute Credit Facility, subject to the requirements set forth in the Resolution. (*Section 5.15*)

Purchases Through the Credit Facility. Whenever Bonds are to be purchased on a Bondholders' Purchase Date, Required Purchase Date or Mandatory Purchase Date, the Trustee will take such action as is necessary under the Letter of Credit, as the case may be, to advance funds to purchase such Bonds or otherwise to obtain funds through the Letter of Credit, if one is in effect, to the extent necessary (after taking into account any remarketing proceeds) to make such timely payment of the Purchase Price of such Bonds in accordance with the Resolution and the Bonds. Without limiting the generality of the foregoing, the Trustee shall take all actions and submit all items to the Bank, within the time required under the Letter of Credit, in order to obligate the Bank to advance funds with which to purchase, at or before 4:00 p.m., New York City time, on each Bondholders' Purchase Date, Required Purchase Date and Mandatory Purchase Date, all such Bonds subject to purchase on such date which are not successfully remarketed and, if the Trustee does not receive timely notice from the Remarketing Agent that such Bonds have been remarketed, it shall take such required actions and make such required submissions as if no Bonds had been remarketed. Anything else to the contrary contained in the Resolution notwithstanding, in the event the Trustee receives notice from the Bank of an event of default under the Reimbursement Agreement and instructing the Trustee to publish notice of mandatory purchase pursuant to the Resolution, the Trustee shall immediately draw on the Letter of Credit, in the manner set forth in paragraphs (d) and (e) under the heading "Drawings Under Credit Facility," in an aggregate amount sufficient to pay the Purchase Price of all such Bonds outstanding. (*Section 5.16*)

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 or the Bank on the proceeds from the sale of such

Bonds, the funds established by the Resolution which are pledged thereby and the moneys and securities pledged thereby; 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 charges or liens created hereby. (*Section 6.06*)

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 Holders of the Outstanding Bonds without the prior written consent of the Bank and 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 Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under the Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Loan Agreement may be amended, changed, modified or altered with the consent of the Bank and the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Project or which may be added to the Project, 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. Except as otherwise provided in the Resolution, the Loan Agreement may be amended, changed, modified or altered with the prior written consent of the Bank but without the consent of the Holders of Outstanding Bonds or the Trustee if the amendment, change, modification or alteration does not adversely affect the interests of the Bondholders in any material respect. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Bank and the Trustee.

For all purposes 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 Holders of Bonds then Outstanding in any material respect. (*Section 6.11*)

Tax Exemption; Rebates.

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds, the Authority shall comply with the provisions of the Code applicable to the Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of the Bonds, reporting of earnings on the Gross Proceeds of the Bonds, and rebates of excess earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the provisions of the Tax Certificate with respect to the Bonds.

The Authority shall not take any actions or fail to take any action, which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Bonds or any other funds of the Authority be used directly

or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

The Authority shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the Arbitrage Rebate Fund and available therefor.

Notwithstanding any other provision of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for Federal income tax purposes, the covenants described in this section shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Resolution. (*Section 6.13*)

Security for Deposits. All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal 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 such 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 6.15*)

Investment of Funds Held by the Trustee. Money held under the Resolution by the Trustee in the Debt Service Fund, Construction Fund, Debt Service Reserve Fund, and Arbitrage Rebate Fund, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations; provided that funds representing amounts drawn on the Credit Facility shall be invested exclusively in Government Obligations that shall mature, or that shall be subject to redemption at the option of such holders thereof, not later than thirty (30) days after the date of such investments; provided further that 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.

In lieu of the investment of moneys in obligations authorized in the preceding paragraph (other than with respect to funds representing amounts drawn on the Credit Facility), the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Construction Fund in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to

Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers whose unsecured or uncollateralized long-term debt obligations are rated no lower than the rating assigned to the Bonds by Moody's and S&P and which are approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully secured by ownership of a security interest in Government Obligations of a market value determined by the Trustee or its agent on a daily valuation at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements shall be free and clear of claims of any other person.

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

In computing the amount in any fund held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein 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.

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 to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided therein, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant thereto 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 (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions thereof as of the end of the preceding month and as to whether such investments comply with the provisions of the third and fourth preceding paragraphs. 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.

No part of the proceeds of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. *(Section 6.16)*

Liability for Investments. 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 the Resolution, in the manner provided therein, for any depreciation in value of any obligation, for any loss, direct or indirect, resulting from any investment. *(Section 6.17)*

Modification and Amendment Without Consent. Notwithstanding any other provisions 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 an Authorized Officer of the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of 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 to be supplemented;

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

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of such 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 therein;

(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, such Resolution, the Pledged Revenues, or any pledge of any other moneys, securities or funds;

(e) With the consent of the Bank, to modify the Maximum Rate at which such Bonds may bear interest;

(f) With the consent of the Bank and the Trustee, to cure any ambiguity or defect or inconsistent provision in such Resolution or to insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable, or to modify any of the provisions thereof or of any previously adopted Supplemental Resolution in any other respect, provided that such modification shall not be inconsistent with the provisions of such Resolution and shall not adversely affect the interests of the applicable Bondholders in any material respect;

(g) To modify the Project to include additional items or to delete items contained therein, provided that no amendment adding items to the Project shall become effective until the Authority and the Trustee shall have received an opinion of Bond Counsel that such amendment

will not cause interest on any such Bonds to be included in gross income for federal income tax purposes; or

(h) To reflect a substitute Credit Facility implemented in accordance with the provisions of the Resolution. (*Section 9.01*)

Supplemental Resolutions Effective With Consent of Bondholders or Bank.

The provisions of the 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 Bank and the Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. (*Section 9.02*)

Events of Default. An event of default shall exist under the Resolution (herein called “event of default”) if:

(a) Payment of the principal, Sinking Fund Installments, Redemption Price, Purchase Price or installment of interest of any Bond, other than a Custody Bond or a Bond held for or registered in the name of the Institution, or a designee thereof, 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) The Authority shall default in the due and punctual performance of the covenants contained in the Resolution and, as a result thereof, the interest on the Bonds shall no longer be excludable from gross income under Section 103 of the Code; or

(c) The Authority shall default in the due and punctual performance or observance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds 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 Bank or, if the Bank shall have failed to honor a draft presented to it under the Letter of Credit, which draft was presented in strict compliance with such Letter of Credit (and such failure shall not have been cured by the Bank), then at the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds; or

(d) An “event of default,” as defined in the Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled. (*Section 11.02*)

Acceleration of Maturity. Upon the happening and continuance of any other event of default specified in the Resolution, other than an event of default described in paragraph (b) under the preceding caption then and in every such case, the Trustee, upon the written request or with the written consent of the Bank, or, if the Bank shall have failed to honor a draft presented to it under the Letter of Credit, which draft was presented in strict compliance with such Letter of Credit, and such failure shall not have been cured by the Bank, upon the written consent of the Holders 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 and interest on such Bonds shall cease to accrue as of the date of such notice. Upon 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 such Bonds to the contrary notwithstanding. (*Section 11.03*)

Enforcement of Remedies. Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, or if all of the Bonds Outstanding are Custody Bonds, upon the written direction of the Bank shall proceed, or, if the Bank shall have failed to honor a draft presented to it under the Letter of Credit, which draft was presented in strict compliance with such Letter of Credit, and such failure shall not have been cured by the Bank, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in paragraph (b) under the preceding caption, the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds affected thereby, shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the 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 therein or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any defaulted Mortgage assigned to the Trustee.

In the enforcement of any remedy under the Resolution 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 or overdue payment of the principal of and interest on such 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 Holders of such Bonds, and to recover and enforce 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 the 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 Bondholders. No Holder 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 Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Bank, or, if the Bank shall have failed to honor a draft presented to it under the Letter of Credit, which draft was presented in strict compliance with such Letter of Credit, and such failure shall not have been cured by the Bank, then the Holders of not less than twenty-five per centum (25%) in principal amount of Outstanding Bonds, or, in the case of an event of default specified in paragraph (b) under the heading "Events of Default," the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds affected thereby, shall have made written

request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted hereby or to institute such action, suit or proceeding in its or their name, and shall have 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 hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy hereunder and thereunder. It is understood and intended that no one or more Holders of such Bonds secured thereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security thereof or to enforce any right under the Resolution except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of the Bank and all Holders of such Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Holder of any such Bond shall have the right which is absolute and unconditional to receive payment of the principal (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 Holder. (*Section 11.08*)

Defeasance. If the Authority shall pay or cause to be paid to the Holders of the Bonds 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 and in the Resolution, then the pledge of the moneys and securities pledged to such Bonds and all other rights granted by the Resolution 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 securities held by it pursuant to the Resolution which are not required for the payment or redemption of such Bonds 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 an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of 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; third, to the Bank the amount certified by an Authorized Officer of the Bank to be due and owing to the Bank under the Reimbursement Agreement, and, then, the balance thereof to the Institution. Such moneys and securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created hereby.

Bonds the payment, purchase or redemption of which Available Moneys shall have been set aside and held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity, Purchase Date or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any maturity or a portion of a maturity shall prior to the maturity, Purchase Date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the

Resolution notice of redemption on said date of such Bonds; (b) there shall have been deposited with the Trustee either Available Moneys in an amount which shall be sufficient, or Defeasance Securities acquired with Available Moneys the principal of and interest on which when due will provide moneys which, together with the Available Moneys, if any, deposited with the Trustee and/or Tender Agent at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, Purchase Price or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the purchase date, redemption date or maturity date thereof, as the case may be, together with an opinion of nationally recognized counsel acceptable to the Trustee that such payments to Bondholders would not be subject to the avoidable preference or stay provisions of Sections 544, 547 and 550 of the Bankruptcy Code in a case commenced thereunder by or against the Authority, the Institution or an Affiliate; provided that with respect to all such Bonds other than Bonds bearing interest at the Fixed Rate, the calculation of the amount required to be deposited pursuant to this clause (b) shall be made assuming that such Bonds bear interest at the Maximum Rate; and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity, purchase date or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, Purchase Price or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like maturity shall be paid in accordance with and in the manner provided in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, Purchase Price or Redemption Price, if applicable, of and interest on said 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 (provided that the calculations supporting the determination that such amounts are not needed shall be verified as to mathematical accuracy by a certified public accountant), 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, Purchase Price or Redemption Price, if applicable, of and interest to become due on said 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 held in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, Purchase Price 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 an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of 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; to the Bank the amount certified by an Authorized Officer of the Bank to be due and owing to the Bank under the Reimbursement Agreement; 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. In addition, in the event that Bonds defeased pursuant to the Resolution (other than Bonds bearing interest at the Fixed Rate) bear interest at a rate less than the Maximum Rate, then any moneys so deposited but not required to pay the principal, Sinking Fund Installments, if any, Purchase Price, or Redemption Price, if applicable, of and interest on the Bonds, shall to the extent certified by the Trustee upon the payment in full of all such Bonds on their applicable redemption dates or maturity dates, as the case may be, to be in excess of the amounts so required, shall be applied in the manner set forth in the preceding paragraph. Bonds for the payment of the Purchase Price thereof, together with accrued interest thereon to the date of purchase, Available Moneys or Defeasance Securities and Available Moneys have been deposited with the Trustee in accordance with the Resolution shall not be remarketed upon the payment of the Purchase Price thereof. Notwithstanding the foregoing, prior to the Fixed Rate Conversion Date, no such deposit in accordance with the Resolution shall be made unless the Trustee has received written evidence from the Rating Agency that the rating on the Bonds shall not be withdrawn, suspended or reduced.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee, the Tender Agent or a Paying Agent in trust for the payment and discharge or purchase of any Bond which remains unclaimed for two (2) years after the date when such Bond has become due and payable or the Purchase Price of such Bond has become due and payable, either at its stated maturity date or by call for earlier redemption or at the Purchase Date thereof, if such moneys were held by the Trustee, the Tender Agent or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, the Tender Agent or Paying Agent after said date when such Bond becomes due and payable or the Purchase Price of such Bond has become due and payable, shall, at the written request of the Authority, be repaid by the Trustee, the Tender Agent or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee, the Tender Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Holder of any such 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, the Tender Agent 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. (*Section 12.01*)

**APPROVING OPINIONS
OF BOND COUNSEL**

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(34b)

March 24, 1994

Dormitory Authority of the
State of New York
161 Delaware Avenue
Delmar, New York 12054-1398

Ladies and Gentlemen:

We have examined the record of proceedings relating to the issuance of \$13,000,000 aggregate principal amount of Highland Community Development Corporation Revenue Bonds, 1994B Issue (the "1994B Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 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 Resolution (hereinafter defined).

The 1994B Bonds are issued under and pursuant to the Act and the Revenue Bond Resolution of the Authority, adopted January 26, 1994 in connection with the 1994B Bonds (the "Resolution"). The 1994B Bonds are being issued for the purposes set forth in the Resolution.

The 1994B Bonds mature on July 1, 2023, are dated March 24, 1994, and bear interest from such date payable on each Interest Payment Date.

The 1994B Bonds are issuable in fully registered form, initially in the denomination of \$5,000 each and integral multiples thereof. The 1994B Bonds are lettered and numbered R- followed by the number of the 1994B Bonds. The 1994B Bonds are numbered consecutively from one upward in order of issuance. The 1994B Bonds are subject to redemption prior to maturity as set forth in the Resolution and in the Bond Certificate executed on behalf of the Authority in connection with the 1994B Bonds.

The Authority has entered into a Loan Agreement with Highland Community Development Corporation (the "Institution"), dated as of January 26, 1994 (the "Loan Agreement"), providing, among other things, for loans to the Institution for the purposes permitted thereby and by the Resolution. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, Sinking Fund Installments and Redemption Price, if applicable, of and interest on the 1994B Bonds as the same shall become due, which payments have been pledged by the Authority to the Trustee for the benefit of the Holders of the 1994B Bonds.

Based upon the foregoing, 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 Resolution and to issue the 1994B Bonds thereunder.
2. The Resolution has been duly and lawfully adopted by the Authority and is in full force and effect, and is a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.
3. The 1994B Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolution. The 1994B Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefits of the Resolution and the Act.
4. The Authority has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Loan Agreement by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Except as provided in the following sentence, interest on the 1994B Bonds is not includable in the gross income of the owners of the 1994B Bonds for purposes of federal income taxation under existing law. Interest on the 1994B Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the 1994B Bonds (a) in the event of a failure by the Institution or the Authority to comply subsequent to the issuance of said 1994B Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure or investment of Bond proceeds and the timely payment of certain investment earnings to the United States Treasury or (b) in the event that the \$150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date the Project is placed in service and the date the 1994B Bonds are issued. The Institution has covenanted, among other things, not to take any action that would cause interest on the 1994B Bonds to be includable in the gross income of the Holders thereof. In rendering this opinion, we have relied upon the representations made by the Institution with respect to certain material facts within the knowledge of the Institution and upon the accompanying opinion of its counsel and we have made no independent investigation thereof. Interest on the 1994B Bonds is not a tax preference item for purposes of computing the alternative minimum taxable income of individuals; however, interest on the 1994B Bonds will be includable in the calculation of the alternative minimum tax and the environmental tax liability imposed on corporations. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, or receipt of the interest on, the 1994B Bonds.

6. Interest on the 1994B Bonds is exempt from personal income taxes of the State of New York and its political subdivisions.

We have examined a fully executed 1994B Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolution, the Loan Agreement and the 1994B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and as to the availability of any particular remedy. Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the 1994B Bonds.

We express no opinion as to any federal, state or local tax law consequences with respect to the 1994B Bonds, or the interest thereon, if any action is taken with respect to the 1994B Bonds or the proceeds thereof, upon the advice or approval of bond counsel other than ourselves.

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

Very truly yours,

Brown & Wood



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FOUNDED 1866

July __, 2008

Dormitory Authority of the State of New York
 Albany, New York

HSBC Bank USA
 Rochester, New York

Highland Community Development Corporation
 Pittsford, New York

RBC Capital Markets
 Albany, New York

The Bank of New York Mellon
 New York, New York

\$10,025,000

Dormitory Authority of the State of New York
 Highland Community Development Corporation
 Revenue Bonds, 1994B Issue

Ladies and Gentlemen:

We represent the Dormitory Authority of the State of New York (the “Authority”) in connection with the conversion of the interest rate on its Highland Community Development Corporation Revenue Bonds, 1994B Issue (the “1994B Bonds”). The 1994B Bonds were issued on March 24, 1994 under and pursuant to the Revenue Bond Resolution of the Authority, adopted January 26, 1994 (the “Resolution”), and a Bond Certificate of the Authority, dated as of March 24, 1994 (the “Bond Certificate”). The net proceeds of the 1994B Bonds were loaned by the Authority to Highland Community Development Corporation (the “Institution”) pursuant to a Loan Agreement, dated as of January 26, 1994 (the “Loan Agreement”), between the Institution and the Authority. Capitalized terms not defined herein shall have the meanings ascribed to them in the Resolution.

On June 9, 2008, pursuant to Section 2.04(g) of the Resolution, the Institution gave notice of its election to have the interest rate on the 1994B Bonds converted to the Weekly Rate on July 1, 2008 (the “Conversion”).

In connection with our rendering the opinions set forth herein, we have reviewed the Resolution, the Loan Agreement, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and officials of the Institution furnished to us without undertaking to verify the same by independent investigation. In such examination we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

Based upon the foregoing, under existing law, we are of the opinion that the Conversion is authorized or permitted by the Bond Certificate, the Resolution and the laws of the State of New York and that the Conversion will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

In rendering this opinion, we express no opinion as to the exclusion from gross income of the interest on the Bonds for federal income tax purposes. Further, we have not been engaged to make, and have not made, any inquiry or investigation with respect to any circumstances that may have occurred since the date of issuance of the Bonds that would adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

The opinions expressed herein are for the benefit of the addressees only and may not be quoted, circulated, assigned or delivered to any other person or for any other purpose without our prior written consent. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Respectfully submitted,

THE BANK

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HSBC Bank USA, National Association

HSBC Bank USA, National Association (the “Bank”) is the principal subsidiary of HSBC USA Inc. (“HSBC USA”), a New York state-based bank holding company registered under the Bank Holding Company Act of 1956, as amended. HSBC USA had its origin in Buffalo, New York in 1850 as The Marine Trust Company, which later became Marine Midland Banks, Inc. In 1980, The Hongkong and Shanghai Banking Corporation (now HSBC Holdings plc (“HSBC Holdings”)) acquired 51 percent of the common stock of Marine Midland Banks, Inc. and the remaining 49 percent in 1987. In December 1999, HSBC Holdings acquired Republic New York Corporation and merged it with HSBC USA. The Bank maintains a principal office at 452 Fifth Avenue, New York, New York 10018 (telephone 212-525-5000).

HSBC USA and the Bank are indirect wholly owned subsidiaries of HSBC Holdings. HSBC Holdings, headquartered in London, England, is one of the largest banking and financial services organizations in the world. HSBC Holdings’ ordinary shares are listed or admitted to trading on the London Stock Exchange, and are listed on the Hong Kong Stock Exchange, Euronext Paris, the New York Stock Exchange and the Bermuda Stock Exchange., and its American depository. The shares are listed on the New York Stock Exchange in the form of American Depositary Shares.

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

The Bank offers a full range of commercial banking products and services to individuals, including high net worth individuals, small businesses, corporations, institutions and governments. The affiliation with HSBC Holdings enables the Bank to offer its customers access to global markets and services. In turn, the Bank plays a role in the delivery and processing of other HSBC products. The Bank also has mortgage banking operations and is an international dealer in derivative instruments denominated in U.S. dollars and other currencies, focusing on structuring transactions to meet client needs, as well as for proprietary purposes.

At March 31, 2008, the Bank represented approximately 98% of the consolidated assets of HSBC USA and had assets of approximately \$188 billion, total liabilities of approximately \$176 billion, including approximately \$124 billion in deposits and approximately \$21 billion of long-term debt, and shareholder’s equity of approximately \$12 billion.

As of the date hereof, the long-term debt of the Bank has been assigned a rating of AA by Standard & Poor's and Aa2 by Moody's Investors Services. As of the date hereof, the short-term debt of the Bank has been assigned a rating of A-1+ by Standard & Poor's and P-1 by Moody's Investors Services.

The Bank is required to submit to the FDIC certain reports entitled "Consolidated Reports of Condition and Income" (each, a "Call Report" and collectively, the "Call Reports"). The Bank's Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council and consist of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which each such Call Report relates. The publicly available portions of the Bank's Call Reports are available (i) on the FDIC's website at www.fdic.gov and (ii) at the FDIC, 550 17th Street, N.W., Washington, D.C. 20429.

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

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