



**\$14,990,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**NEW YORK STATE REHABILITATION ASSOCIATION COMMUNITY RESOURCES**  
**REVENUE BONDS,**  
**\$14,650,000 SERIES 2008A**  
**\$340,000 SERIES 2008B (FEDERALLY TAXABLE)**

**Dated:** Date of Delivery

**Due:** July 1, as shown on inside cover

**Payment and Security:** The New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008A (the "Series 2008A Bonds") and Series 2008B (the "Series 2008B Bonds" and, collectively with the Series 2008A Bonds, the "Series 2008 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable from amounts derived from draws under an irrevocable direct pay letter of credit with respect to the Series 2008A Bonds and an irrevocable direct pay letter of credit with respect to the Series 2008B Bonds and from other funds as set forth in the Resolutions (hereinafter defined). The Series 2008 Bonds are additionally secured by (i) a pledge of certain payments to be made under the Loan Agreement dated as of May 28, 2008 between Staten Island Aid for Retarded Children, Inc., d/b/a Community Resources (the "Institution") and the Authority (the "Loan Agreement"), (ii) the Mortgage granted by the Institution, (iii) a security interest in the Pledged Revenues, which have been pledged and assigned to the Trustee pursuant to and as provided in the New York State Rehabilitation Association Community Resources Revenue Bond Resolution, adopted by the Authority on April 23, 2008 (the "Resolution"), the Series Resolution authorizing New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008A in an amount not exceeding \$19,000,000, adopted by the Authority on May 28, 2008 (the "Series 2008A Resolution") and the Series Resolution authorizing New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008B in an amount not exceeding \$19,000,000, adopted by the Authority on May 28, 2008 (the "Series 2008B Resolution", and together with the Series 2008A Resolution, the "Series 2008 Resolutions"; the Resolution and the Series 2008 Resolutions, the "Resolutions") and (iv) certain funds and accounts established by the Resolutions. See "PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS."

The Series 2008 Bonds will be payable from amounts derived from draws under an irrevocable direct-pay letter of credit with respect to each Series (the "Series 2008A Letter of Credit" and the "Series 2008B Letter of Credit"; and collectively, the "Letter of Credit") issued by HSBC Bank USA, National Association



(the "Bank") to be held by The Bank of New York Mellon, as trustee and tender agent (the "Trustee") and from other funds as set forth in the Resolutions. The Letter of Credit will permit the Trustee to draw an amount not to exceed the principal amount of and up to 206 days' interest (computed at a maximum rate of 7.5% per annum) on the Series 2008 Bonds in order to pay the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2008 Bonds. The Letter of Credit will expire five years from the date of issuance, unless sooner terminated or extended, and may be replaced by a Substitute Credit Facility, as more fully described herein.

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to certain fees and expenses of the Authority, the New York State Rehabilitation Association, Inc. and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on all Bonds issued under the Resolutions (the "Bonds"), as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge and assignment by the Institution of the Pledged Revenues of the Institution and by the Mortgage. In addition, the Authority's interests in the Loan Agreement, the Mortgage and the Pledged Revenues will be pledged and assigned to the Trustee for the benefit of the Holders of the Bonds under the Resolution and to the Bank to secure the Institution's obligations under the Reimbursement Agreement (defined herein). The interests of the Authority, the Trustee and the Bank in the Mortgage and the Pledged Revenues shall be governed by the terms of the Intercreditor Agreement by and among such parties.

**The Series 2008 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.**

**Description:** The Series 2008 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2009 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2008 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2008 Bonds, by wire transfer to the holder of such Series 2008 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2008 Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2008 Bonds, by wire transfer to the holder of such Series 2008 Bonds as more fully described herein.

The Series 2008 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2008 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2008 Bonds, payments of the principal and Redemption Price of and interest on such Series 2008 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 — THE SERIES 2008 BONDS — Book-Entry Only System" herein.

**Redemption:** *The Series 2008 Bonds are subject to redemption prior to maturity, as more fully described herein.*

**Tax Exemption:** In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2008A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2008B Bonds is includable in the gross income of the owners thereof for federal income tax purposes. Also, in the opinion of Bond Counsel, under existing law, interest on the Series 2008 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. See "PART 12—TAX MATTERS" for further information.

*The Series 2008 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2008 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel John Zaccane, Esq., Staten Island, New York, for the Bank by its counsel Harris Beach PLLC, Albany, New York and for the Underwriter by its counsel, Hiscock & Barclay, LLP, Albany, New York. Uni-Med Consulting Services, LLC, Palm Beach Gardens, Florida, is acting as financial advisor to the Institution. The Authority expects to deliver the Series 2008 Bonds in definitive form in New York, New York, on or about September 25, 2008.*



**\$14,990,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**NEW YORK STATE REHABILITATION ASSOCIATION COMMUNITY RESOURCES**  
**REVENUE BONDS,**

**\$14,650,000 SERIES 2008A**

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2009	\$640,000	3.250%	2.080%	649903 2M2	2018	\$720,000	4.125%	4.280%	649903 2W0
2010	910,000	3.000	2.570	649903 2N0	2019	740,000	4.250	4.440	649903 2X8
2011	875,000	3.000	2.910	649903 2P5	2020	775,000	4.375	4.570	649903 2Y6
2012	760,000	3.000	3.170	649903 2Q3	2021	795,000	4.500	4.680	649903 2Z3
2013	780,000	3.250	3.410	649903 2R1	2022	770,000	4.625	4.770	649903 3A7
2014	790,000	3.250	3.630	649903 2S9	2023	815,000	4.625	4.830	649903 3B5
2015	805,000	3.375	3.820	649903 2T7	2024	860,000	4.750	4.890	649903 3C3
2016	820,000	3.500	4.000	649903 2U4	2025	910,000	4.750	4.940	649903 3D1
2017	765,000	4.000	4.130	649903 2V2					

**\$1,120,000 5.00% Term Bonds due July 1, 2033 Yield 5.27%**  
**(CUSIP No. 649903 3M1\*)**

**\$340,000 SERIES 2008B (FEDERALLY TAXABLE)**

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2009	\$340,000	4.20%	4.20%	649903 3N9

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\* CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2008 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2008 Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2008 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution, the Bank or the Underwriter to give any information or to make any representations with respect to the Series 2008 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution, the Bank or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Institution, the Bank and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority or of the Underwriter.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Financing Plan, the Estimated Sources and Uses of Funds, and Appendix B. The Institution shall certify as of the dates of sale and delivery of the Series 2008 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to the information concerning the Bank, the Letter of Credit and the Reimbursement Agreement under the captions "INTRODUCTION", "SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS – Payment of the Series 2008 Bonds – The Letter of Credit" and "THE BANK", none of the information in this Official Statement has been supplied or verified by the Bank, and the Bank makes no warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 Bonds; or (iii) the tax status of the interest on the Series 2008 Bonds.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

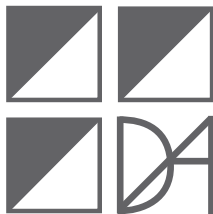
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, the Institution or the Bank have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 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**  
**PAUL T. WILLIAMS, JR. – EXECUTIVE DIRECTOR**

**515 BROADWAY ALBANY, N.Y. 12207**  
**GAIL H. GORDON, ESQ. – CHAIR**

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**OFFICIAL STATEMENT RELATING TO**  
**\$14,990,000**  
**DORMITORY AUTHORITY**  
**OF THE STATE OF NEW YORK**  
**NEW YORK STATE REHABILITATION ASSOCIATION COMMUNITY RESOURCES**  
**REVENUE BONDS**  
**\$14,650,000 SERIES 2008A**  
**\$340,000 SERIES 2008B (FEDERALLY TAXABLE)**

**PART 1 – INTRODUCTION**

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the “Authority”), Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources (the “Institution”) and HSBC Bank USA, National Association (the “Bank”) in connection with the offering by the Authority of \$14,990,000 principal amount of its New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008, consisting of \$14,650,000 Series 2008A (the “Series 2008A Bonds”) and \$340,000 Series 2008B (Federally Taxable) (the “Series 2008B Bonds” and, collectively with the Series 2008A Bonds, the “Series 2008 Bonds”).

The following is a brief description of certain information concerning the Series 2008 Bonds, the Resolutions, the Authority, the Institution, the Bank, the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Pledged Revenues, the Intercreditor Agreement and the Mortgage. A more complete description of such information and additional information that may affect decisions to invest in the Series 2008 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

**Purpose of the Issue**

The Authority will use the proceeds of the Series 2008A Bonds to make a loan to the Institution under the Loan Agreement to be used, together with other available funds, (i) to refinance certain of the Institution’s outstanding bank loans from private lenders and the outstanding principal amount of New York City Industrial Development Agency Civic Facility Revenue Bonds (1996 Community Resources for the Developmentally Disabled Project) (the “Refunded Bonds”), and (ii) to pay certain of the Costs of Issuance of the Series 2008A Bonds. The Authority will use the proceeds of the Series 2008B Bonds to make a loan to the Institution under the Loan Agreement to be used, together with other available funds, to pay a portion of the Costs of Issuance of the Series 2008A Bonds and the Costs of Issuance of the Series 2008B Bonds. See “PART 7 – FINANCING PLAN” and “PART 8 – ESTIMATED SOURCES AND USES OF FUNDS.”

**Authorization of Issuance**

The Series 2008 Bonds will be issued pursuant to the New York State Rehabilitation Association Community Resources Revenue Bond Resolution, adopted by the Authority on April 23, 2008 (the “Resolution”),

the Series Resolution authorizing New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008A in an amount not exceeding \$19,000,000, adopted by the Authority on May 28, 2008 (the “Series 2008A Resolution”) and the Series Resolution authorizing New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008B in an amount not exceeding \$19,000,000, adopted by the Authority on May 28, 2008 (the “Series 2008B Resolution”, and together with the Series 2008A Resolution, the “Series 2008 Resolutions”; the Resolution and the Series 2008 Resolutions, the “Resolutions”) and the Act. In addition to the Series 2008 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of one or more projects, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes, bonds or other debt of the Authority or other issuers or lenders issued or advanced for the benefit of the Institution. Each Series of Bonds will be secured by a Credit Facility delivered with respect to such Series. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other, except with respect to the respective Credit Facility for each Series of Bonds. The Series 2008 Bonds are the first and second Series of Bonds issued under the Resolution. See “PART 3 — THE SERIES 2008 BONDS.”

### **The Authority**

The Authority is a public benefit corporation of the State of New York (the “State”), created pursuant to the Act for the purpose of financing and constructing a variety of public purpose facilities for certain health care, educational, governmental and not-for-profit institutions. See “PART 9 — THE AUTHORITY.”

### **The Institution**

The Institution is a not-for-profit corporation providing a variety of services to adults and children with disabilities. See “PART 5 — THE INSTITUTION” and “Appendix B – Staten Island Aid for Retarded Children, Inc. Financial Statements for the Years Ended June 30, 2007 and 2006.”

### **New York State Rehabilitation Association, Inc.**

New York State Rehabilitation Association, Inc. (“NYSRA”) is a not-for-profit corporation organized under the laws of the State and is a trade organization comprised of New York State not-for-profit corporations, including the Institution, which are community based organizations that provide rehabilitation services to people of all ages with differing abilities facing multiple barriers to being fully integrated into society. The headquarters of NYSRA is located in Albany, New York. See “PART 6 – THE NEW YORK STATE REHABILITATION ASSOCIATION, INC.” The Institution is, and for the term of the Loan Agreement, will be required to be, a member of NYSRA. The Act authorizes the Institution, with the concurrence of NYSRA, to pledge and assign to the Authority any and all Public Funds (hereinafter defined) to be made available to the Institution by any governmental entity to make all payments required under the Loan Agreement. NYSRA, however, is not expected to receive any such Public Funds and is not obligated to make and is not responsible for making any payment of principal, Sinking Fund Installments, or Redemption Price of or interest due on the Series 2008 Bonds.

### **The Series 2008 Bonds**

The Series 2008 Bonds will be dated their date of delivery and will bear interest from such date (payable January 1, 2009 and each July 1 and January 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. See “PART 3 — THE SERIES 2008 BONDS — Description of the Series 2008 Bonds.”

### **Payment of the Series 2008 Bonds**

The Series 2008 Bonds will be special obligations of the Authority payable from draws on the Letter of Credit (hereinafter defined) and other Available Moneys held in certain funds or accounts established by the Resolutions and if such amounts are insufficient, from amounts paid by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. See “PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS.”

## **Security for the Series 2008 Bonds**

The proceeds from the sale of the Series 2008 Bonds, the Revenues, the funds and accounts established by the Resolutions, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, the Loan Agreement, Mortgage and the Authority's security interest in the Pledged Revenues are assigned to the Trustee, as security for the payment of the principal, Redemption Price of and interest on the Series 2008 Bonds and, together with the Credit Facility Provider Repayment Fund, to the Bank to secure repayments of amounts paid by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement (as defined herein). The respective rights and remedies of the Authority, the Trustee and the Bank with respect to the Loan Agreement, the Mortgage, the Pledged Revenues and other collateral shall be governed by the provisions of the Intercreditor Agreement by and among the Authority, the Trustee and the Bank (the "Intercreditor Agreement"). With the prior approval of the Authority and the Bank, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Pledged Revenues and the Mortgaged Property securing the Series 2008 Bonds. See "PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Security for the Series 2008 Bonds."

### **The Letter of Credit**

Pursuant to a Letter of Credit Reimbursement Agreement between the Bank and the Institution dated as of September 1, 2008 (the "Reimbursement Agreement"), concurrently with the issuance of the Series 2008 Bonds, the Bank will issue for the account of the Institution and for the benefit of the Trustee an irrevocable direct pay letter of credit relating to the Series 2008A Bonds (the "Series 2008A Letter of Credit") and an irrevocable direct pay letter of credit relating to the Series 2008B Bonds (the "Series 2008B Letter of Credit", and together with the Series 2008A Letter of Credit, the "Letter of Credit"), pursuant to which the Trustee will be permitted to draw, subject to the terms and conditions of the Letter of Credit, an amount not to exceed the principal amount of and up to 206 days' interest (computed at a maximum rate of 7.5% per annum) on the Series 2008 Bonds in order to pay the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2008 Bonds. See "PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Payment of the Series 2008 Bonds — *The Letter of Credit.*"

### **The Mortgage and Pledged Revenues**

The Institution's obligations to the Authority under the Loan Agreement will be additionally secured by a Mortgage on certain real property of the Institution (the "Mortgaged Property") and security interests in fixtures, furnishings and equipment located thereon, as well as a security interest in the Institution's Gross Receipts, the right to receive the same and the proceeds thereof (the "Pledged Revenues"). The Authority will assign the Loan Agreement, the Mortgage and such security interests to the Trustee for the benefit of the Holders of Bonds and to the Bank to secure repayments of amounts paid by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement. The respective rights and remedies of the Authority, the Trustee and the Bank with respect to the Loan Agreement, the Mortgage and the security interests in Pledged Revenues shall be governed by the provisions of the Intercreditor Agreement. See "PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Security for the Series 2008 Bonds."

### **Financing Plan**

A portion of the proceeds of the Series 2008 Bonds will be used to refinance certain of the Institution's outstanding bank loans from Citigroup, N.A. and HSBC Bank USA, National Association in the aggregate amount of \$5,128,925.35, the proceeds of which were applied to acquire, improve and equip a portion of the real property used by the Institution. See "PART 5 — THE INSTITUTION — *Projects to be Refinanced.*"

A portion of the proceeds of the Series 2008 Bonds and other available funds will be used to refund the outstanding New York City Industrial Development Agency Civic Facility Revenue Bonds (1996 Community Resources for the Developmentally Disabled Project) (the "Refunded Bonds"). Proceeds derived from the sale of the Refunded Bonds were loaned to the Institution and applied to pay costs of acquiring, constructing, and equipping facilities operated by the Institution. Upon issuance of the Series 2008 Bonds, proceeds of the Series 2008 Bonds and other available funds are expected to be used to acquire certain investment securities (the "Investment

Securities”), the principal of and interest on which, when due, together with any initial cash deposit, will provide moneys sufficient to pay the redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the date fixed for redemption. See “PART 7 — FINANCING PLAN.”

## **PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS**

*Set forth below is a narrative description of certain statutory and contractual provisions relating to the sources of payment of and security for the Series 2008 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Mortgage, the Intercreditor Agreement, the Letter of Credit, the Reimbursement Agreement and the Resolutions. Copies of the Loan Agreement, the Mortgage, the Intercreditor Agreement, the Letter of Credit, the Reimbursement Agreement and the Resolutions are on file with the Authority and the Trustee. For a more complete statement of the rights, duties and obligations of the parties thereto, see also “Appendix C – Summary of Certain Provisions of the Loan Agreement” and “Appendix D – Summary of Certain Provisions of the Resolution.”*

### **Payment of the Series 2008 Bonds**

#### *General*

The Series 2008 Bonds are special obligations of the Authority. The principal, Sinking Fund Installments and interest on the Series 2008 Bonds are payable solely from moneys drawn under the Letter of Credit and other Available Moneys held in the Debt Service Fund established by the Resolutions. The Institution, to assure timely payment of the amounts required for payment of the principal, Sinking Fund Installments and interest on the Series 2008 Bonds, has caused the Bank to issue its irrevocable, direct-pay Letter of Credit for the account of the Institution and for the benefit of the Trustee.

**The Series 2008 Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power.** See “PART 9 — THE AUTHORITY.”

#### *The Letter of Credit*

The following is a summary of certain provisions of the Letter of Credit. Reference is made to the Letter of Credit for the detailed provisions thereof and the discussion herein is qualified by such reference.

The Series 2008A Letter of Credit will be issued in an initial stated amount equal to \$15,278,729.17 consisting of \$14,650,000.00 which may be drawn to pay principal, Sinking Fund Installments and the principal portion of the Redemption Price of the Series 2008A Bonds and \$628,729.17 (an amount equal to 206 days’ interest computed at the rate of 7.5% per annum) which may be drawn to pay interest on and the interest portion of the Redemption Price of the Series 2008A Bonds. The Series 2008B Letter of Credit will be issued in an initial stated amount equal to \$354,591.67 consisting of \$340,000.00 which may be drawn to pay principal, Sinking Fund Installments and the principal portion of the Redemption Price of the Series 2008B Bonds and \$14,591.67 (an amount equal to 206 days’ interest computed at the rate of 7.5% per annum) which may be drawn to pay interest on and the interest portion of the Redemption Price of the Series 2008B Bonds.

The Letter of Credit shall expire five years from the date of issuance, unless earlier terminated or extended as provided therein. If the Letter of Credit is not extended or replaced, the Series 2008 Bonds are to be mandatorily redeemed on any day which is not less than 15 days nor more than 45 days prior to the expiration date of the Letter of Credit. See “PART 3 — THE SERIES 2008 BONDS — *Redemption.*”

The principal and interest components of the Letter of Credit will be subject to reduction and the interest component is subject to reinstatement in accordance with the terms of the Letter of Credit to reflect drawings made. Any reduction in the interest component of the Letter of Credit resulting from a draw with respect to interest on the Series 2008 Bonds, less the amount of such reduction attributable to payment upon redemption or maturity of the related Series 2008 Bonds, will be reinstated automatically on the eleventh (11th) day following such draw unless the Bank gives the Trustee notice by the close of business on the tenth (10th) day following the date on which the



draft is honored that the interest portion of the Letter of Credit will not be reinstated. The interest portion of the Letter of Credit will not be reinstated if the Institution is in default under the Reimbursement Agreement.

The Institution and the Bank will enter into the Reimbursement Agreement whereby the Institution will make certain representations and will agree, among other things, to reimburse the Bank, with interest, for amounts drawn under the Letter of Credit, to pay certain fees and expenses to the Bank, and to observe and perform certain covenants. If any of such representations are untrue or if the Institution fails to comply with any of its obligations under the Reimbursement Agreement, an event of default under the Reimbursement Agreement may occur.

The occurrence of any of the following events shall be an event of default under the Reimbursement Agreement (terms used in the description below that are not otherwise defined herein have the meanings ascribed thereto in the Reimbursement Agreement):

(a) (i) failure of the Institution to reimburse the Bank for any drawing honored under the Letter of Credit, or (ii) failure of the Institution to make any payment of any fees or other amounts due under the Reimbursement Agreement within five (5) Business Days after such fees or other amounts become due in accordance with the Reimbursement Agreement;

(b) any representation or warranty in any of the Letter of Credit Documents, in any certificate or report furnished in connection with the Reimbursement Agreement or in any amendment to the Reimbursement Agreement, shall prove to be false or misleading in any material respect when made or given or deemed made or given;

(c) (i) default shall be made in the payment of any obligation of the Institution or any of the Subsidiaries, for borrowed money, or (ii) default shall be made in respect of any agreement or obligation relating to any obligation of the Institution, or any of the Subsidiaries, for borrowed money, if the effect of such default or the result of any action by the obligee is to accelerate the maturity of such obligation or to permit the holder or obligee thereof (or a trustee on behalf of such holder or obligee) to cause such obligation to become due prior to the stated maturity thereof or which, with the passage of time, the giving of notice or both would constitute an event of default under any agreement, or any such obligation shall not be paid when due after giving effect to any applicable grace period;

(d) default shall be made in the due observance or performance of any covenant, condition or agreement to be performed pursuant to the Reimbursement Agreement (other than as set forth under this subcaption "Payment of the Series 2008 Bonds – The Letter of Credit") which shall continue unremedied for more than ten (10) days after notice by the Bank;

(e) (i) default shall be made in the due observance or performance of any covenant, condition or agreement of the Institution or any Subsidiary to be performed pursuant to the Letter of Credit Documents and not cured within any applicable grace period or (ii) any of the Letter of Credit Documents shall cease to be in full force and effect or shall be declared to be null and void, or the validity or enforceability thereof shall be contested or any party thereto shall deny that it has any further liability to the Bank with respect thereto;

(f) the Institution or any Subsidiary shall (i) voluntarily commence any case, proceeding or other action or file any petition seeking relief under Title 11 of the United States Code or any other existing or future Federal, domestic or foreign bankruptcy, insolvency or similar law, (ii) consent to the application of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the employment of a receiver, trustee, custodian, sequestrator or similar official for the Institution or any Subsidiary or for a substantial part of their respective property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing;

(g) an involuntary case, proceeding or other action shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Institution or any Subsidiary or of a substantial part of their respective property, under Title 11 of the United States Code or any other existing or

future Federal, domestic or foreign bankruptcy, insolvency or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Institution or any Subsidiary or for a substantial part of their respective property, or (iii) the winding-up or liquidation of the Institution or any Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 60 days;

(h) there shall be commenced against the Institution or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof;

(i) a judgment or order for the payment of money in excess of \$10,000 shall be rendered against the Institution or any Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(j) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Institution or any Commonly Controlled Entity in favor of the PBGC or a Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed (or a trustee shall be appointed) to administer, or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Bank, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Institution or any Commonly Controlled Entity shall, or in the opinion of the Bank is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Institution or any of its Subsidiaries to any tax, penalty or other liabilities in the aggregate material in relation to the business, operation, property or financial or other condition of the Institution or any of its Subsidiaries;

(k) the Institution or any Subsidiary shall become liable at any time for remediation and/or environmental compliance expenses and/or fines, penalties or other charges in excess of \$25,000;

(l) suspension or material alteration of the nature of the business of the Institution;

(m) any material adverse change with respect to the Institution;

(n) any “Event of Default” (as defined in the Resolutions and the Loan Agreement) shall have occurred or any failure or default shall have occurred under any of the Bond Financing Documents and shall have continued beyond the expiration of any applicable notice or cure period;

(o) the Institution shall fail to perform any obligation under or there shall exist any event of default beyond any applicable notice or cure period under any other document or instrument executed and delivered by the Institution to the Bank evidencing or securing the Reimbursement Agreement or otherwise in connection with the Letter of Credit including the other Letter of Credit Documents;

(p) any provision of the Reimbursement Agreement, the other Letter of Credit Documents or the Bond Financing Documents shall at any time for any reason cease to be valid and binding on the Institution or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Institution or Subsidiary, or a proceeding shall be commenced by any governmental agency or authority or other party having jurisdiction over the Institution or Subsidiary seeking to establish the invalidity or unenforceability thereof, or the Institution or Subsidiary shall deny that it has any or further liability or obligation under the Reimbursement Agreement;

(q) the Institution shall fail to pay within twenty (20) days of notice and demand by the Bank, any installment of any assessment against the Premises for local improvements heretofore or hereafter laid, which assessment is or may become payable in annual or periodic installments and is or may become a lien on the Premises;

(r) a Federal tax lien is filed against the Institution, any Subsidiary or the Premises and the same is not discharged of record within thirty (30) days after the same is filed unless such Federal tax lien is being diligently contested by the Institution in good faith, and the Institution shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the Federal tax lien and all interest and penalties thereon; provided (i) the Bank is satisfied that such Federal tax lien does not have a Material Adverse Effect and (ii) that if, at any time, payment of such Federal tax and related charges, interest or penalties, if any, shall become necessary to prevent the enforcement of a lien because of non-payment of any such sums, then the Institution shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed;

(s) without the consent of the Bank (which consent in any and all circumstances may be withheld in the sole and absolute discretion of the Bank) any part of the Premises or any interest of any nature whatsoever therein or any interest of any nature whatsoever in the Institution or any Subsidiary (whether partnership, membership, stock, equity, beneficial, profit, loss or otherwise) or all or substantially all of the assets of the Institution or any Subsidiary, is in any manner, by operation of law or otherwise, whether directly or indirectly, further encumbered, sold, transferred, assigned or conveyed, except in the ordinary course of business or as expressly permitted herein, and irrespective of whether any such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law;

(t) without the consent of the Bank, any of the Premises (except for the normal replacement of the fixtures therein) is removed, demolished or materially altered, or the Premises is not kept in good condition and repair;

(u) the Institution shall fail to comply with any material requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the Premises within three (3) months from the issuance thereof, or the time period set forth therein, whichever is less, unless the Institution shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement of any actions with respect thereto, the assessment of any liens or penalties or collection of the same and the creation of liens against the Premises or sale of the Premises or any part thereof, to satisfy the same;

(v) the Institution shall fail to pay the Bank within five (5) Business Days of demand any and all insurance premiums and/or taxes paid by the Bank pursuant to the Reimbursement Agreement or the Bond Financing Documents, together with any late payment charge and interest thereon calculated at the Default Rate;

(w) without the consent of the Bank, any leases affecting the Premises are made, canceled or modified or any portion of the rents due thereunder are paid for a period of more than one (1) month in advance or any of the rents are further assigned;

(x) the Premises shall become subject (i) to any tax lien, other than a lien for local real estate taxes and assessments not due and payable, or (ii) to any lis pendens, notice of pendency, stop order, notice of intention to file mechanic's or materialman's lien, mechanic's or materialman's lien or other lien of any nature whatsoever and the same shall not either be discharged of record or in the alternative insured over to the satisfaction of the Bank by the title company insuring the lien of the Mortgage within a period of thirty (30) days after the Institution receives notice that the same has been filed or recorded, and irrespective of whether the same is superior or subordinate in lien or other priority to the lien of the Mortgage and irrespective of whether the same constitutes a perfected or inchoate lien or encumbrance on the Premises or is only a matter of record or notice, unless, with respect to (i) only, such tax lien is being diligently contested by the Institution in good faith, and the Institution shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the tax lien and all interest and penalties thereon; provided (a) the Bank is satisfied that such tax lien does not have a materially adverse effect on the business, assets or financial or other condition of the Institution or on the Premises, the Mortgage or the lien thereof, and (b) that if, at any time, payment of such tax and related charges, interest or penalties, if any, shall become necessary to prevent the delivery of a tax deed conveying the Premises or any portion

thereof because of non-payment of any such sums, then the Institution shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed;

(y) the Institution shall fail to maintain the licenses, certifications and permits necessary to continue operations as a voluntary agency providing services to people with disabilities; and

(z) the Institution shall lose its funding for any program funded by OMRDD.

If an Event of Default under the Reimbursement Agreement beyond any applicable notice or cure period occurs, all amounts outstanding under the Reimbursement Agreement with interest thereon and all other amounts payable under the Reimbursement Agreement, or, under certain circumstances upon the declaration of the Bank, shall become immediately due and payable. The rights and remedies granted to the Bank under the Reimbursement Agreement arising from an Event of Default shall be in addition to and not in lieu of any other rights or remedies which may be afforded to the Bank under the other Letter of Credit Documents and the Bond Financing Documents, including but not limited to the right to require the Trustee to redeem all of the Series 2008 Bonds and interest accrued thereon as provided in the Resolution and all other rights and remedies set forth in the Resolutions, the Loan Agreement and the Mortgage.

#### *Substitute Credit Facility*

The Authority or the Institution (with the consent of the Authority) may, at any time, deliver or cause to be delivered to the Trustee a Substitute Credit Facility in substitution for the Letter of Credit or other Credit Facility then in effect. No such Substitute Credit Facility shall be or become effective unless, (a) the terms thereof are in all material respects the same as or more favorable to the Holders of the Series 2008 Bonds than the then existing Letter of Credit and the amount of such Substitute Credit Facility is not less than the sum of the principal amount of Series 2008 Bonds Outstanding plus interest thereon for 206 days, (b) on or prior to the date of issuance thereof, the Authority furnishes to the Trustee (i) an opinion of Bond Counsel that states, that the Substitute Credit Facility will not adversely affect the exclusion of interest on the Series 2008A Bonds from gross income for federal income tax purposes and that the execution or delivery of such Substitute Credit Facility is authorized under the Resolution and complies with the terms thereof, and (ii) an opinion or opinions of counsel to the Credit Facility Provider issuing such Substitute Credit Facility, satisfactory in form and substance to the Authority and the Trustee, (c) the Institution delivers to the Trustee a certificate of the Credit Facility Provider stating that all amounts due under the Reimbursement Agreement have been paid and (d) written evidence from the Rating Service then assigning ratings to the Series 2008 Bonds to the effect that such Rating Service has reviewed the proposed Substitute Credit Facility and that the issuance of such Substitute Credit Facility (A) will not, by itself, result in a reduction or withdrawal of its rating of such Series 2008 Bonds from the rating which then prevails and (B) will not cause such Series 2008 Bonds to rated below investment grade. The Credit Facility Provider issuing the Substitute Credit Facility must have a combined capital stock surplus and undivided profits of at least \$125,000,000; provided, however, that with respect to a branch or an agency of a foreign bank, the combined capital stock, surplus and undivided profits of both the branch or the agency and the foreign bank shall be utilized in order to fulfill this requirement as long as a favorable opinion of counsel is received by the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of a judgment rendered in an American court with respect to the obligations of the Credit Facility Provider under the Substitute Credit Facility in the jurisdiction of organization of such foreign bank. No Substitute Credit Facility may expire by its terms earlier than the expiration date of then existing Letter of Credit or other Credit Facility. There will be no mandatory tender of the Series 2008 Bonds upon any such substitution of the Credit Facility.

#### **Security for the Series 2008 Bonds**

In addition to the Letter of Credit, except as described below, payment of the principal, Sinking Fund Installments of and interest on the Series 2008 Bonds and performance by the Authority of its obligations under the Resolutions are secured by the pledge made by the Resolutions of the funds and accounts established by the Resolutions, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, and of the Revenues. In addition, payment of the principal, Sinking Fund Installments of and interest on the Series 2008 Bonds and performance by the Authority of its obligations under the Resolutions are secured by the assignment to the Trustee of the Loan Agreement, Mortgage and the Authority's security interest in the Pledged Revenues granted by

the Institution to secure its obligations under the Loan Agreement. In addition, the Authority's interest in the Mortgage, the Pledged Revenues and together with the Credit Facility Provider Repayment Fund are assigned to the Bank as security for the Institution's obligations under the Reimbursement Agreement. The respective rights of the Authority, the Trustee and the Bank with respect to the Loan Agreement, Mortgage and the Pledged Revenues are governed by the provisions of the Intercreditor Agreement. The security for the Series 2008 Bonds, except for the Letter of Credit issued by the Bank, will also be for the benefit of all other Bonds to be issued under the Resolution.

#### *Funds and Accounts*

Among the funds and accounts established and pledged by the Resolution are the Debt Service Fund, which includes the Credit Facility Account. The Credit Facility Account is to be funded with moneys drawn under the Letter of Credit for the payment of the principal of the Series 2008 Bonds, whether payable at maturity or upon redemption, and the interest on the Series 2008 Bonds as such payments become due. The moneys in the Credit Facility Account are to be applied to such payments.

The Resolution also establishes a Credit Facility Provider Repayment Fund which is to be funded with moneys paid by the Institution pursuant to the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2008 Bonds. The moneys in the Credit Facility Provider Repayment Fund are to be applied to reimburse the Bank for payments made under the Letter of Credit. For a more complete description of the funds and accounts established by the Resolution and of the provisions of the Resolution relating to their funding sources and the investment and application of the moneys therein, see "Appendix D – Summary of Certain Provisions of the Resolution."

#### *The Revenues*

The Revenues pledged by the Authority to secure the Series 2008 Bonds consist of the payments made by the Institution pursuant to the Loan Agreement on account of the principal, Redemption Price of and interest on the Series 2008 Bonds, except payments to the Trustee for administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund.

The Loan Agreement and the Institution's obligation to make the payments required by it are general obligations of the Institution payable out of any moneys available to it. The payments to be made by the Institution on account of the principal, Redemption Price and Sinking Fund Installments of and interest on the Series 2008 Bonds are required to be made at times and in amounts necessary to assure that, on the dates payments are due on the Series 2008 Bonds, sufficient moneys are held in the Debt Service Fund to pay principal, Redemption Price of, and interest on the Series 2008 Bonds when due. After a draw on the Letter of Credit to pay amounts when due on the Series 2008 Bonds, amounts in the Debt Service Fund will be transferred to the Credit Facility Provider Repayment Fund, which will be withdrawn by the Trustee to reimburse the Bank for moneys advanced by it under the Letter of Credit.

#### *Pledged Revenues and Public Funds*

Pursuant to the Loan Agreement, the Institution has pledged and assigned to the Authority its Gross Receipts, the right to receive the same and the proceeds thereof (the "Pledged Revenues"), including any and all moneys to be apportioned or otherwise made payable by the United States or any agency thereof, the State, any political subdivision of the State, any social services district in the State or any other governmental entity to the Institution ("Public Funds"). However, until the occurrence of an Event of a Default under the Loan Agreement, all Public Funds and other Pledged Revenues shall be paid to and collected by the Institution and may be disposed of by the Institution for any of its corporate purposes. Upon the occurrence of an Event of Default under the Loan Agreement, the Authority is entitled to collect the Public Funds of the Institution in the manner described below.

#### *Public Funds Intercept*

Pursuant to the Act, all State and local officials are authorized and required to pay the Public Funds to the Authority in accordance with a certificate filed by the Authority with any such State or local officer. Upon the occurrence of an Event of Default under the Loan Agreement, the Authority may, in addition to all other remedies

available pursuant to the Loan Agreement, cause the Public Funds to be deducted, withheld and paid directly to the Authority, in an amount sufficient to make the payments required by the Institution pursuant to the Loan Agreement.

The Public Funds are payable to the Institution by the New York State Office of Mental Retardation and Developmental Disabilities (“OMRDD”), the Office of the Comptroller of the State of New York (the “Comptroller”), the New York State Department of Health (“DOH”) and various other State and local payors. To secure the payment and performance by the Institution of all obligations of the Institution pursuant to the Loan Agreement, the Institution, the Authority, OMRDD, the Comptroller and DOH will enter into agreements whereby upon the occurrence of an Event of Default under the Loan Agreement, subject to the limitations contained in the Loan Agreement, the Authority will have the right, power and authority to instruct and direct OMRDD, the Comptroller and/or DOH that all payments of Public Funds otherwise due to the Institution, in an amount sufficient to discharge the obligations of the Institution under the Loan Agreement, be made directly to the Authority. OMRDD, the Comptroller and DOH will agree to deduct, withhold and pay such amounts in accordance with written instructions of the Authority without further authorization or instruction from the Institution.

### *The Mortgage*

The Institution has secured its obligations under the Loan Agreement by giving the Authority a mortgage on property and the improvements thereon (the “Mortgage”) and a security interest in the fixtures, furnishings and equipment now or hereafter located on the Mortgaged Property. See “PART 5 — THE INSTITUTION — *Projects to be Refinanced.*”

The Authority will assign the Loan Agreement, the Mortgage and its security interest in the Pledged Revenues to the Trustee to secure the Authority’s obligations under the Resolutions, and to the Bank to secure repayments of amounts advanced by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement. The interest of the Authority, the Trustee and the Bank in the Mortgage and the security interest in the Pledged Revenues are of equal priority to the extent that the Bank has not defaulted on its obligations under the Letter of Credit. The respective rights and obligations of the Authority, the Bank and the Trustee to enforce the provisions of the Loan Agreement and the Mortgage, to foreclose the Mortgage or realize upon the security interests and to share in any recoveries resulting therefrom are controlled and limited by the Intercreditor Agreement entered into by and among said parties. In general, so long as the Bank has not defaulted in its obligations under the Letter of Credit, the Bank will control all remedial actions. With the prior approval of the Authority and the Bank, but without the consent of the Holders of the Series 2008 Bonds, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Pledged Revenues and the Mortgaged Property securing the Series 2008 Bonds.

### **Events of Default and Remedies**

An Event of Default will exist under the Resolution with respect to a Series of Bonds if (i) payment of the principal, Redemption Price or the Sinking Fund Installments of or interest on any Bond of such Series is not made when due, (ii) the Authority defaults in the due and punctual performance of the tax covenants contained in the Resolution and, as a result thereof, the interest on Bonds of such Series, if intended to be issued as tax-exempt bonds, shall no longer be excludable from gross income under the Code, (iii) the Authority defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Bonds of such Series or the Resolution or the Series Resolution relating to such Series of Bonds on the part of the Authority to be performed and such default continues for 30 days after written notice of it is given to the Authority by the Trustee, which notice may be given in the Trustee’s discretion and must be given at the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds of such Series or the applicable Credit Facility Provider, or (iv) an “Event of Default”, as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Institution under the Loan Agreement relating to such Series of Bonds have been declared to be immediately due and payable. See “Appendix D – Summary of Certain Provisions of the Resolution.” Except as described above, an event of default under the Loan Agreement is not an Event of Default with respect to the Series 2008 Bonds under the Resolution.

The Resolution provides that if an Event of Default occurs and continues (except an Event of Default described in clause (ii) in the above paragraph), the Trustee may, with the consent of the Credit Facility Providers,

and upon the written request of (i) the Credit Facility Providers, or (ii) the Holders of not less than 25% in principal amount of the Outstanding Bonds and with the prior written consent of the Credit Facility Providers shall, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. Interest shall cease to accrue upon such payment, which payment shall occur not more than seven (7) days following such declaration, and the Trustee shall draw upon the Letter of Credit in order to make such payment. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of such Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if all Events of Default have been remedied and if the other conditions specified in the Resolution with respect to such annulment have been met, including the consent of the Credit Facility Provider in certain instances.

The Resolution provides that the Trustee, within 30 days after the occurrence of an Event of Default resulting from the failure to pay, when due, the principal, Sinking Fund Installments or Redemption Price of, or interest, on any of the Bonds, is to mail to the Holders of the Outstanding Bonds notice of all Events of Default which have occurred, unless the applicable Event of Default has been remedied or cured prior to the giving of such notice.

### **Issuance of Additional Bonds**

In addition to the Series 2008 Bonds, the Resolution authorizes the issuance of other Series of Bonds, subject to the consent of the Credit Facility Provider for each Outstanding Series of Bonds, to finance projects and for other specified purposes including to refund Outstanding Bonds or other notes, bonds or other debt of the Authority or other issuers or lenders issued or advanced on behalf of the Institution. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other, except with respect to the respective Credit Facility and Mortgage, if any, for each Series of Bonds.

## **PART 3 – THE SERIES 2008 BONDS**

### **Description of the Series 2008 Bonds**

The Series 2008 Bonds will be issued pursuant to the Resolution and the Series 2008 Resolutions, will be dated their date of delivery, and will bear interest from such date (payable January 1, 2009 and on each July 1 and January 1 thereafter) at the rates, and will mature at the times set forth on the inside cover page of this Official Statement. Interest on the Series 2008 Bonds will accrue based upon a 360-day year of twelve 30-day months.

The Series 2008 Bonds will be issued as fully registered bonds. The Series 2008 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2008 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2008 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2008 Bonds, the Series 2008 Bonds will be exchangeable for other fully registered Series 2008 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein and "Appendix D – Summary of Certain Provisions of the Resolution."

Interest on the Series 2008 Bonds will be payable by check or draft mailed to the registered owners thereof. The principal or redemption price of the Series 2008 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent, however, in the event that the Series 2008 Bonds are no longer held in book-entry form, interest on the Series 2008 Bonds may be authorized to be paid at the option of the registered owner of at least \$1,000,000 in principal amount of such Series 2008 Bonds, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such owner has directed the Trustee to wire such interest payment. As long as the Series 2008 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

For a more complete description of the Series 2008 Bonds, see "Appendix D – Summary of Certain Provisions of the Resolution."

## Redemption

The Series 2008 Bonds are subject to optional, special and mandatory redemption prior to maturity as described below.

### *Optional Redemption*

The Series 2008 Bonds maturing on or prior to July 1, 2018 are not subject to optional redemption prior to maturity. The Series 2008 Bonds maturing on or after July 1, 2019 are subject to optional redemption prior to maturity, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the election or direction of the Authority, on or after July 1, 2018 in any order, as a whole or in part, at any time.

### *Special Redemption*

The Series 2008 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of the Authority on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or the Mortgaged Property.

### *Mandatory Redemption*

The Series 2008A Bonds maturing on July 1, 2033 are subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Series 2008A Bonds specified for each of the years shown below:

Series 2008A Term Bonds  
due July 1, 2033

<u>Year</u>	<u>Sinking Fund Installments</u>
2026	\$110,000
2027	120,000
2028	130,000
2029	135,000
2030	145,000
2031	150,000
2032	160,000
2033†	170,000

† Final maturity.

The Authority may from time to time direct the Trustee to purchase Series 2008 Bonds with Available Moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2008 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2008 Bonds of the same Series and the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2008 Bonds of the maturity so purchased will be reduced for such year.

### *Special Mandatory Redemption*

The Series 2008A Bonds and the Series 2008B Bonds are subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, not less than 15 days nor more than 45 days prior to the expiration date of the Series 2008A



Letter of Credit and the Series 2008B Letter of Credit, respectively, if the expiration date of the Series 2008A Letter of Credit or the Series 2008B Letter of Credit, as the case may be, has not been extended and no Substitute Credit Facility has been delivered to the Trustee. See “PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Payment of the Series 2008 Bonds — *The Letter of Credit.*”

The Series 2008A Bonds and the Series 2008B Bonds are subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, following receipt by the Trustee of written notice from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing as a result of which the Bank may, pursuant to the Reimbursement Agreement, direct the Trustee to redeem all Series 2008 Bonds then Outstanding and provide a written direction that the Series 2008 Bonds are to be redeemed, which direction has not been rescinded by the Bank prior to the date notice of redemption is given. The redemption date shall be a date selected by the Authority, which date shall be not more than 12 days subsequent to receipt by the Trustee of such notice and in no event later than the Business Day preceding the termination date of the Credit Facility. See “PART 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Payment of the Series 2008 Bonds — *The Letter of Credit.*”

The Series 2008 Bonds are also subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption following receipt by the Trustee of written notice from the Credit Facility Provider which issued the Credit Facility if the Credit Facility does not provide for automatic reinstatement, that a failure within the reinstatement period has occurred, as referred to in the Credit Facility with respect to a Series of Bonds, and a reinstatement of the Credit Facility to an amount which would cause the Credit Facility to satisfy the requirements set forth in the Resolution and the applicable Series Resolution will not be obtained and a direction that such Bonds are to be redeemed, which direction has not been rescinded by such Credit Facility Provider prior to the date notice of redemption is given. The redemption date shall be a date selected by the Authority, which date shall be not more than 12 days subsequent to receipt by the Trustee of such notice and in no event more than twenty (20) days after the last Interest Payment Date preceding such notice. See “Part 2 — SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BONDS — Payment of the Series 2008 Bonds — *The Letter of Credit.*”

#### *Selection of Series 2008 Bonds to be Redeemed*

In the case of Series 2008 Bonds to be redeemed at the election or direction of the Authority, the Authority will select the maturity or maturities and principal amounts of the Series 2008 Bonds to be redeemed. If less than all of the Series 2008 Bonds Outstanding of any particular maturity shall be called for redemption, the Series 2008 Bonds to be so redeemed shall be selected by the Trustee, by lot, using such method as the Trustee shall deem proper in its discretion.

#### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2008 Bonds in the name of the Authority by mailing a notice of redemption, by first class mail, postage prepaid to the registered owners of Series 2008 Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority, not more than 10 Business Days prior to the date such notice is given and to the Credit Facility Provider, in each case, at least 30 days but not more than 45 days prior to the redemption date, except that in the case of redemption of the Series 2008 Bonds as described in the second or third paragraph under “Special Mandatory Redemption,” such notice shall be given as soon as practicable. Any notice of redemption described under “Optional Redemption” may state that the redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price of such Series 2008 Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force and effect and said Series 2008 Bonds shall not be required to be redeemed. The failure of any such registered owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2008 Bonds.

If on the redemption date Available Moneys for the redemption of all Series 2008 Bonds or portions thereof of any like maturity to be redeemed, together with interest accrued and unpaid thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, then interest on the Series 2008

Bonds or portions thereof so called for redemption will cease to accrue from and after the redemption date and such Series 2008 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2008 Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

### **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008 Bond certificate will be issued for each maturity of each Series of the Series 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2008 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2008A Bonds or Series 2008B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bank 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2008 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2008 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2008 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2008 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2008 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.

DTC may discontinue providing its service as depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2008 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2008 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2008 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY**

RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2008 BONDS.

So long as Cede & Co. is the registered owner of the Series 2008 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2008 Bonds (other than under the captions "PART 12 — TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2008 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2008 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2008 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2008 Bond certificates will be delivered as described in the Resolutions and each Bond Series Certificate.

NEITHER THE AUTHORITY NOR THE BANK NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2008 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2008 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2008 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2008 BONDS; OR (VI) ANY OTHER MATTER.

## Principal, Sinking Fund Installments and Interest Requirements for the Series 2008 Bonds

The following table sets forth the amounts required to be paid by the Institution during each twelve month period ending June 30 of the years shown, (i) for the payment of the interest on the Series 2008 Bonds payable on July 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2008 Bonds payable on the succeeding July 1 and the aggregate payments to be made by the Institution during each such period with respect to the Series 2008 Bonds or (ii) for the reimbursement of the Bank for draws on the Letter of Credit to make such payments.

<b><u>12 Month Period Ending June 30</u></b>	<b><u>Principal and Sinking Fund Installments</u></b>	<b><u>Interest Payments</u></b>	<b><u>Total Debt Service On the Series 2008 Bonds</u></b>
2009	\$980,000	\$454,738	\$1,434,738
2010	910,000	558,056	1,468,056
2011	875,000	530,756	1,405,756
2012	760,000	504,506	1,264,506
2013	780,000	481,706	1,261,706
2014	790,000	456,356	1,246,356
2015	805,000	430,681	1,235,681
2016	820,000	403,513	1,223,513
2017	765,000	374,813	1,139,813
2018	720,000	344,213	1,064,213
2019	740,000	314,513	1,054,513
2020	775,000	283,063	1,058,063
2021	795,000	249,156	1,044,156
2022	770,000	213,381	983,381
2023	815,000	177,769	992,769
2024	860,000	140,075	1,000,075
2025	910,000	99,225	1,009,225
2026	110,000	56,000	166,000
2027	120,000	50,500	170,500
2028	130,000	44,500	174,500
2029	135,000	38,000	173,000
2030	145,000	31,250	176,250
2031	150,000	24,000	174,000
2032	160,000	16,500	176,500
2033	170,000	8,500	178,500

## PART 4 — THE BANK

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 Office of the Comptroller of the Currency (“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 June 30, 2008, the Bank represented approximately 98% of the consolidated assets of HSBC USA and had assets of approximately \$177 billion, total liabilities of approximately \$165 billion, including approximately \$119 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](http://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.

## **PART 5 – THE INSTITUTION**

### **Introduction**

Established in 1953, and incorporated in 1955 as Staten Island Aid for Retarded Children, Inc., doing business as Community Resources since June 1998 (the “Institution”), the Institution operates over 20 sites located throughout Staten Island providing a comprehensive range of services for individuals of all ages and levels of ability. The Institution serves approximately 1,000 adults and children annually, through direct programming, advocacy and referral services. Its mission is to provide people with disabilities with the opportunities and experiences necessary to reach their potential, achieve independence, and lead rewarding lives as participating and contributing members of the community. To accomplish this, the Institution offers a comprehensive range of programs and services, designed to provide a lifelong continuum of care.

### **Overview of Services**

The Institution offers the following broad range of services and programs throughout Staten Island:

### **Residential**

The Institution provides twenty-four hour a day, year round care in a home-like environment where people with disabilities live with their peers as a family. Residential services are provided in twenty single family homes and apartments. The Institution currently serves approximately 115 people with disabilities in its residential program.

### **Day Treatment**

The Institution focuses in a classroom setting on assisting profoundly challenged adults to develop their communication and daily living skills. The Institution currently serves approximately 77 people with disabilities in its day treatment program.

### **Day Habilitation**

The Institution's day habilitation program provides community-based group activities that offer the opportunity to meet specific objectives while allowing participating individuals to engage in activities of particular interest. The Institution currently serves approximately 50 people with disabilities in its day habilitation program which is located at its Main Facility on Victory Boulevard as well as at the 191 Port Richmond Avenue site.

### **Pre-Vocational**

The Institution's pre-vocational program exposes participants to realistic work demands, rewards, and provides each participant with a salary and all necessary supports at the main campus. The Institution currently serves approximately 155 people with disabilities in its pre-vocational program, which is located at its Main Facility on Victory Boulevard.

### **Supported Employment**

The Institution's supported employment program assists participants in securing "real work" employment, with the support of a job coach. The Institution currently serves approximately 55 people with disabilities in its secured employment program.

### **Work Readiness**

The Institution's work readiness program provides participants the opportunity to acquire the skills and confidence needed to make a successful transition to the community workplace. Participants receive a small stipend. The Institution currently serves approximately 12 people with disabilities in its work readiness program working in two skill areas – cafeteria and garage. The program is located at the Main Facility on Victory Boulevard.

### **Medicaid Service Coordination**

The Institution's Medicaid service coordination program offers assistance and referrals in accessing benefits, and in identifying appropriate services. The Institution currently serves approximately 104 people with disabilities in its Medicaid service coordination program.

### **Residential Habilitation**

The Institution's residential habilitation program provides at-home, one-on-one assistance in everyday skills including maintaining a checkbook, cooking and maintaining a clean home. The Institution currently serves approximately 15 people with disabilities in its residential habilitation program.

## **Recreation**

The Institution offers a variety of recreational opportunities, both on-site and in the community. Recreational opportunities are available on both weekdays and weekends. The Institution currently serves approximately 240 people with disabilities in its recreation program.

## **Community Resources Preschool – Joan P. Hodum Early Learning Center**

The Institution's Joan P. Hodum Early Learning Center (the "Early Learning Center") serves children, 2-1/2 to 5 years of age, who are demonstrating varied developmental delays and disabilities. Each program, offered in full, half day and integrated classes, is designed to meet each child's individual needs. Counseling, speech, occupational and physical therapies are provided to enhance each student's development. Parents are encouraged to become involved through an "open door policy", monthly workshops, and support groups. The Institution currently serves approximately 154 students at the Early Learning Center.

### *Preschool Regular Education Program*

The preschool regular education program serves children 2-1/2 to 5 years of age, with full and half day programs from 2 to 5 days a week.

### *Universal Pre-Kindergarten*

The Institution offers a free, half-day program, open to four year olds, which prepares youngsters for kindergarten and elementary school. A child-centered approach is utilized, with children learning at their own pace. Classrooms are divided into "learning centers" in computer science, math, art, reading and dramatic play, to promote social interaction, decision-making and creative thinking. Weekly music sessions motivate learning through music, dance and gross motor exercises. Literacy enrichment instills a love of books and reading, and brings stories to life through puppetry, drama art and games.

## **Special Tees Custom Screen Printers**

The Institution operates "Special Tees" which offers a full line of embroidered, screen printed and sublimation (a heat transfer process that produces a full color image on a non-textile surface) products, and is a certified advertising specialty distributor. Approximately 25 people with disabilities work in various facets of Special Tees.

## **CR Vending**

This program of the Institution offers free vending machines and maintenance to a variety of commercial and not-for-profit customers, with a monthly percentage of sales returned to the customer. Two people with disabilities work in the Institution's CR Vending program.

## **Additional Programs**

The Institution has received approval from OMRDD to open two respite facilities which will allow participants to stay for up to one week to allow care-givers a respite from the demands of providing care to the participants. The Institution also has received approval for an additional supportive living apartment for two. The respite care facilities and the additional supportive living apartment are expected to open in Fall 2008.

## **Sources of Public Funds**

The Institution receives Public Funds from a number of state and local government sources as indicated in the table below. Public Funds accounted for 98.8% of total operating revenues in the Institution's fiscal year ending June 30, 2006 and 97.8% in fiscal year ending June 30, 2007. The Institution estimates that Public Funds will account for 98% of total operating revenues in its fiscal year ending June 30, 2008.



Sources of Public Funds*	Fiscal Year Ending 6/30/06	% of Total Revenues	Fiscal Year Ending 6/30/07	% of Total Revenues
OMH	\$ 1,109,348	6.1%	\$ 1,242,022	6.1%
OMRDD	15,726,811	86.3	17,592,387	85.8
NYSED	1,172,635	<u>6.4</u>	<u>1,204,279</u>	<u>5.9</u>
<b>Total</b>	\$18,008,794	98.8%	\$20,038,688	97.8%

\* Source: New York State Consolidated Fiscal Report For the Period: July 1, 2006 to June 30, 2007.

## Governance

The Institution is governed by a self-perpetuating Board of Trustees. The Institution's by-laws provide that the Board of Trustees shall consist of not more than twenty-one (21) nor less than fifteen (15) persons.

The members of the Board and its officers and their professional affiliations or principal businesses are listed below.

<b>Louis DeLuca, President</b> CEO United Activities Unlimited	<b>Carmen Cagnetta</b> City Sanitation Council	<b>Anna Pallotta</b> Homemaker
<b>Antoinette Balzano, Vice President</b> Dept. of Education Career Specialist McKee High School	<b>Marlene Markoe-Boyd</b> MLM Public Relations	<b>Anthony Santo</b> CPA
<b>Marie DiResta, Secretary</b> Community Activist Homemaker	<b>Joseph S. Conti</b> Retired Banker	<b>Elaine Selznick</b> Library Scientist Bayonne Army Terminal
<b>Kathleen Geosits, Treasurer</b> Retired Bank Manager	<b>Anthony I. Giacobbe, Jr.</b> Attorney	<b>Joseph Sollazzo</b> Private Builder Retired NYPD/NYFD
<b>Sheldon Blackman</b> Hospital Administrator Staten Island University Hospital	<b>Jane Milza</b> Food Editor S.I. Advance	<b>Fred Rosenberg</b> Retired Property Manager
	<b>Catherine Paradizo</b> Administrator Seaview Home	<b>Thomas Dugan</b> Director of Special Education Newark Public Schools

## Administration

The Institution's executive staff is led by its Executive Director and Chief Operating Officer. Following is a brief biography of each member of the Institution's executive staff.

### Dana T. Magee, Executive Director/CEO

Mr. Magee has worked with the Institution for twenty-four years, beginning his employment with the Institution as Director of Development and Community Relations. He has past experience in the private sector with a national not-for-profit consulting firm. In 1992, Mr. Magee was promoted to associate executive director, and in 1996, he was appointed Executive Director. Mr. Magee earned his BA, *cum laude*, in Economics at Richmond College. He was decorated for service in the Vietnam war, serving in the United States Navy from 1967 to 1973. Mr. Magee is currently Chairman of Community Board 2 and the Borough President's Committee for the Disabled, and a board member of the Staten Island Not-for-Profit Association. He has served on numerous committees and boards (Bayley Seton Hospital, the Seamen's Society for Children and Families, the SI Chamber Music Players), and has been recognized for his community service by the AAOG/AFNY (2000 Administrator of the Year), SI Chamber of Commerce (1998 Louis R. Miller Non-Profit Business Leader), the SI Amputee Club, the NY State

Assembly, the American Legion and the Staten Island Interagency Council for Aging and United Activities Unlimited.

**Barbara Mercado, Associate Executive Director/COO**

Ms. Mercado has worked in the field of development disabilities for over 30 years, starting as a direct care worker for United Cerebral Palsy. She began as a classroom teacher at CTC Cora Hoffman Day Treatment Center and transferred to residential services, where she served in positions of increasing responsibility, eventually being promoted to residential director. Ms. Mercado graduated from the College of Staten Island with a BA in Psychology, Special Education, and Elementary Education. Ms. Mercado joined the Institution in 1987, as director of quality assurance, and served as director of program services, before being appointed to the position of associate executive director in 1997 and to the position of Associate Executive Officer and Chief Operating Officer in May 1997. She has been past president of the Oakwood Beach Civic Association and has served as secretary of the Oakwood Beach Flood Victims Committee. Ms. Mercado has also served as member of the 122<sup>nd</sup> Precinct community council and the Markham Preschool Board of Directors. She currently serves on the Board of Directors of United Activities Unlimited and is a member of the Staten Island Disabilities Council's ("SIDDC") Residential Quality of Life committee.

**Mark D'Agostino, CPA, CFO**

Mr. D'Agostino has been employed with the Institution since 1996, previously having been employed as an auditor for Marvin and Company. A certified public accountant since 1984, he earned his BA in Accounting from Siena College in 1982.

**Claire Atalla, Director of Residential Services, Region I**

Ms. Atalla graduated from the College of Staten Island with a BA in Psychology and pursued her Masters' degree in Clinical Psychology at Long Island University. Joining the Institution in 1986, as direct care staff, Ms. Atalla was residential Qualified Mental Retardation Professional for five years before assuming the residential directorship position. She was responsible for opening the Institution's first IRAs (hereinafter defined). A member of the Development and Community Relations Committee, Ms. Atalla co-chairs the Human Rights, Admissions-Discharge and Incident Review Committees.

**Barbara Bishop-Lewis, Director of Program Services/Quality Assurance**

Ms. Bishop-Lewis is a member of the National Association of Qualified Mental Retardation Professionals. She attended John Jay College of the City University of New York and the State University of New York at Fredonia and holds a BA degree in Forensic Psychology with a concentration in deviant behavior. Before joining the Institution's staff in 1990, where she has served, prior to her current position, as a Recreation Aide, Recreation Therapist, Residential QMRP, Director of Residential Services and Director of Quality Assurance, Ms. Bishop-Lewis worked for Upjohn Healthcare and the New York State Division for Youth.

**Ianthe Bradshaw, Director of Residential Services, Region II**

Ms. Bradshaw attended the College of Staten Island where she earned her BS degree in Accounting. She joined the staff of the Institution in 2000 as a Qualified Mental Retardation Professional and was appointed Residential Director of Region II in 2005. Ms. Bradshaw earned her experience in the field of development disabilities at United Cerebral Palsy of NYC, Inc., ACRMD and Volunteers of America. Ms. Bradshaw chairs the Agency's Incident Review committee for day services.

**Gwenn Cohen, Director of Children's Services**

Coming to the Community Resources Preschool/Joan P. Hodum Early Learning Center at the beginning of its second year (1999), Ms. Cohen has helped create an atmosphere of learning which is perfectly suited to both general and special education students. Ms. Cohen is a graduate of Brooklyn College where she earned her BA in Education and her MS in Special Education. She is also licensed by the College of Saint Rose as a School

Administrator/Supervision (S.A.S.) and School District Administrator (S.D.A.) and is ESL Level 1 & 2 certified. Educational Coordinator of Brooklyn's Milestone School for Child Development from 1992 to 1999, Ms. Cohen also has experience as a special education teacher and homebound infant stimulation teacher.

#### **Toni Decker, Director of Day Habilitation Services**

Ms. Decker earned her BS in Psychology (magna cum laude) at St. Peter's College and her MA degree in Psychology at Montclair State University. With prior experience as Program Director for Brooklyn Community Housing and Services, Inc., a psychotherapist for the New Hope Guild (SI) and Assistant Director of Rehabilitation Services for A.R.C. Workshop, Ms. Decker began with the Institution as an Applied Behavioral Science Specialist in 2001 and was recently promoted to Coordinator of the Institution's new Behavioral Services Department. With certifications in CPR, First Aid and Investigative Training, Ms. Decker is a SCIP-R instructor and chair of the Institution's Incident Review committee on residential services.

#### **Barbara Devaney, Director/Development & Community Relations**

A graduate of Wagner College, with a BA in history, Ms. Devaney began her professional career in the insurance industry. After gaining experience as a pension consultant for Mutual of New York, she moved to the non-profit sector with Staten Island University Hospital. Starting in human resources, Ms. Devaney moved to the development and public affairs department where she took on increasing responsibility for the next eleven years. Leaving as development director, she assumed that title at the Center for Family Life before joining the Institution ten years ago. Past president of the United Way Executives' committee, Ms. Devaney is secretary of the SIDDC executive council, co-chair of its advocacy committee and a founding member of the Partnership for Special People.

#### **Gary Sandvik, Director of Auxiliary Services**

A veteran of the Vietnam War, Mr. Sandvik served in the United States Navy (1967-1970) before earning his Associates degree in Business from the College of Staten Island and his BA in Economics from the former Richmond College. Mr. Sandvik was employed as a Licensed Customs Broker before joining the Institution as a direct care worker at the Selkirk residence in 1994. He served as workshop manager for over ten years and was appointed Director of Auxiliary Services in 2008.

#### **Joanne Silecchio, Director of Vocational Services**

Chairperson of the Senior Leadership Team and co-chair of the Human Rights committee, Ms. Silecchio earned her BA in Sociology at Brooklyn College. Certified in First Aid, CPR and AMAP, Ms. Silecchio began her professional career on Wall Street as an assistant to a financial broker at Mitsubishi Trust Corporation and before joining the Institution's staff in 2000, she managed a family bakery. Ms. Silecchio started her work in the field of development disabilities as a floor supervisor at the Institution. Subsequent to working as a floor supervisor, Ms. Silecchio worked as a counselor in the workshop, and in the Medicaid service coordination field. She was appointed as Director of Vocational Service in June 2008.

#### **Vincent T. Bonomi, Director of Special Tees Division**

A graduate of Power Memorial High School, Mr. Bonomi pursued his psychology studies at Lehman College and the College of Staten Island. He began his career with South Beach Psychiatric Center as a shift coordinator in the respite care unit. Promoted to vocational coordinator, Mr. Bonomi was responsible for starting a variety of programs, including vending, a gift shop, a cleaning training program, an outside cleaning business and a gardening program. Mr. Bonomi joined the Institution in January 2004. He was an original member of the committee that started the screen print business that became Special Tees. He has served on the boards of CRB-Advisory group, the "Get Set Go" Theatre group, Power Memorial Alumni Association and the fundraising committee of the Seamen's Society for Family and Children.

**Margaret Trollo, RN, Director of Nursing**

Ms. Trollo graduated from Molloy College with a BSN in Nursing. She is CNAT certified, a CPR instructor and an expert on stress management, having recently represented the Institution as a presenter at the annual NYSACRA Conference and at the Institution's Mother/Daughter Brunch. The Institution's Director of Nursing since 2005, she has long-term experience in maternal/child health, hospice care, OMRDD auditing and holistic nursing and is a volunteer for the Avon Medical Team, Cancer Kids Camp and the Boy Scouts of America.

**LeRoy Valentine, Director, Human Resources**

With a BS in Marketing and Management from Nazareth College and MBA level education in Financial Management from the Rochester Institute of Technology, Mr. Valentine was the General Manager of Human Resources Services for the RGS Energy Group in Rochester, New York before joining the Institution in 2003 in a residential direct care capacity. His extensive education and training in leadership development, diversity (he is a published national expert on diversity) and organizational development led to an assistant residential coordinator position, and then residential coordinator of the Selkirk and Woodrow residences. Mr. Leroy was appointed as Director of Human resources in June 2005.

**Fran Zimmerman, Assistant Controller**

Ms. Zimmerman began her professional experience on Wall Street working for the brokerage house of Sterner, Rouse & Co. She continued her career in the finance department of the Times Square Stores' administrative office. In 1987, Ms. Zimmerman joined the Institution's Finance department as a bookkeeper. She was promoted to accounting supervisor, a position she held for ten years; before being named Assistant Controller in July of 2000. Ms. Zimmerman was responsible for the implementation of the Institution's computerized accounting system.

**Projects to be Refinanced**

The Institution will use a portion of the proceeds from the Series 2008 Bonds, in the aggregate amount of approximately \$13,827,394.04 and certain other moneys, to refinance projects relating to the following facilities as described below.

*40 Carnegie Avenue, Staten Island New York 10314*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank, N.A. ("Citibank") loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an individual residential alternative ("IRA") to seven people with disabilities in need of supportive and supervised services to ensure that their health care and daily living needs are adequately addressed.

*250 Bement Avenue, Staten Island, New York 10310*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to five people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*17 Sommers Lane, Staten Island, New York 10314*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to six people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*191 Port Richmond Avenue, Staten Island, New York 10302*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a building with a 3 bedroom apartment on the second floor and approximately 2,200 square feet of space on the first floor which is used to provide day habilitation services to people with disabilities in Staten

Island, New York. The apartment provides an IRA to three people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*1589 Castleton Avenue, Staten Island, New York 10302*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to six people with disabilities in need of supportive services to ensure that their health care and daily living needs are adequately addressed.

*51 Grandview Avenue, Staten Island, New York 10303*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to acquire and construct a single-family home in Staten Island, New York. The home provides an IRA to six people with disabilities in need of supportive and supervised services to ensure that their health care and daily living needs are adequately addressed.

*55 Madison Avenue, Staten Island, New York 10314*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to seven people with disabilities in need of supportive and supervised services to ensure that their health care and daily living needs are adequately addressed.

*360 Freeborn Street, Staten Island, New York 10306*

A portion of the Series 2008 Bond proceeds will be used to repay a Citibank loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to five people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*4023 Richmond Avenue, Staten Island, New York 10312*

A portion of the Series 2008 Bond proceeds will be used to repay an HSBC Bank USA, National Association (“HSBC”) loan, which was used to purchase and renovate a single-family home in Staten Island, New York. The home provides an IRA to eight people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*190 Sprague Avenue, Staten Island, New York 10307*

A portion of the Series 2008 Bond proceeds will be used to repay an HSBC loan, which was used to acquire and construct a single-family home in Staten Island, New York. The home provides an IRA to six people with disabilities in need of supervised services to ensure that their health care and daily living needs are adequately addressed.

*3450 - 3484 Victory Blvd, Staten Island, New York 10314*

*3651 Richmond Road, Staten Island, New York 10306*

A portion of the Series 2008 Bond proceeds will be used to repay the outstanding principal balance of the New York City Industrial Development Agency Civic Facility Revenue Bonds (1996 Community Resources for the Developmentally Disabled Project) issued by the New York City Industrial Development Agency, which were used to acquire and construct three facilities in Staten Island, New York. The facilities provide Pre-Vocational, Day Habitation, Administrative, Weekend Recreation, Medicaid Service Coordination, Work Readiness, Social Habitation, Special Tees and Pre-School services to approximately 724 people with disabilities.

## **PART 6 — THE NEW YORK STATE REHABILITATION ASSOCIATION, INC.**

NYSRA is a New York not-for-profit corporation that is exempt from federal income tax under section 501(a) of the Internal Revenue Code of 1986, as amended, as a board of trade under section 501(c)(6) thereof. NYSRA was incorporated in 1992 and adopted its present name in 1994. NYSRA evolved from the New York State Association of Rehabilitation Facilities, a not-for-profit corporation that was originally incorporated in 1977 by

a group of agencies providing services to people with disabilities to serve as a vehicle for interfacing with government agencies.

NYSRA has a membership of over 130 New York State not-for-profit organizations, including the Institution, which are community based organizations that provide rehabilitation services to people of all ages with differing abilities facing multiple barriers to being fully integrated into society. The services that NYSRA members provide to individuals with disabilities include: vocational training and placement, residential programs, day treatment and day training services, clinic services, community outreach programs and family support services.

The services that NYSRA provides to its members include: analysis of State and federal policies affecting the provision of services to persons with disabilities, advocacy on proposed legislation at the State and federal levels, analysis and advocacy regarding the State budget, technical assistance regarding State and federal regulations and policies, professional development and training, and opportunities for networking and information sharing through regional meetings and an annual conference. NYSRA also provides its members with information regarding important issues through annual budget briefings and issue forums, weekly newsletters, technical briefs, position papers, legislative alerts, media advisories and the semi-annual NewsLine publication.

Chapter 371 of the Laws of 1998, (the “NYSRA Act”), as extended by Chapter 272 of the Laws of 2008, authorizes the Authority until December 31, 2013 to finance facilities located in the State for not-for-profit members of NYSRA, which include the Institution. NYSRA has participated in the structuring of the Series 2008 Bonds to meet the needs of the Institution. In connection with the Series 2008 Bonds, NYSRA will receive a fee to provide the following services: (i) monitoring the membership status of the Institution in NYSRA, (ii) acting as a liaison among the Authority, the Trustee and the Institution in connection with the Institution’s obligations to deliver audited financial statements and annual information pursuant to the Continuing Disclosure Agreement dated the date of issuance of the Series 2008 Bonds, and (iii) facilitating communication between the Authority and the Institution on an ongoing basis with respect to the Authority’s asset monitoring function.

The Authority may issue additional series of bonds under the Act on behalf of NYSRA’s other not-for-profit members, each of which series of bonds would be separately secured and not on parity with the Series 2008 Bonds.

## **PART 7 – FINANCING PLAN**

A portion of the proceeds of the Series 2008 Bonds will be used to refinance certain of the Institution’s outstanding bank loans from private lenders in the amount of \$5,128,925.55.

A portion of the proceeds of the Series 2008 Bonds and other available funds will be used to refund the Refunded Bonds. Upon issuance of the Series 2008 Bonds, such proceeds and other available funds are expected to be used to acquire certain investment securities (the “Investment Securities”), the principal of and interest, if any, on which, when due, together with any initial cash deposit, will provide moneys sufficient to pay the redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the date fixed for redemption.

Investment Securities will be deposited with the trustee for the Refunded Bonds (the “Prior Trustee”) upon the issuance and delivery of the Series 2008 Bonds and will be held in trust solely for the payment of the redemption price of and interest on the Refunded Bonds. At the time of such deposit the New York City Industrial Development Agency (the “Agency”), the issuer of the Refunded Bonds, will give the Prior Trustee irrevocable instructions to give notice of the redemption of the Refunded Bonds and to apply the proceeds from the Investment Securities together with any initial cash deposit to the payment of the redemption price of and interest on the Refunded Bonds. In the opinion of Hawkins Delafield & Wood LLP, Agency Bond Counsel, upon making such deposits with the Prior Trustee and the issuance of certain irrevocable instructions to such trustee, and in reliance upon certain certifications, the Refunded Bonds will, under the terms of the indenture under which they were issued, be deemed to have been paid and will no longer be outstanding and the Refunded Bonds shall cease to be entitled to any lien, benefit or security under such indenture.

**PART 8 – ESTIMATED SOURCES AND USES OF FUNDS**

Estimated sources and uses of funds are as follows:

	<u>Series 2008A</u>	<u>Series 2008B</u>
<b>Estimated Sources of Funds</b>		
Principal Amount of Series 2008 Bonds.....	\$14,650,000	\$340,000
Net Original Issue Discount.....	(218,393)	-
Other Sources.....	<u>2,398,856</u>	-
Total Estimated Sources.....	<u>\$16,830,463</u>	<u>\$340,000</u>
<b>Estimated Uses of Funds</b>		
Deposit to Refunded Bonds Escrow Fund .....	\$11,097,324	-
Refinancing of Bank Loans .....	5,128,925	-
Costs of Issuance <sup>(1)</sup> .....	443,035	\$22,381
Transfer of Series 2008B proceeds to pay		
Series 2008A Costs of Issuance.....	-	313,878
Underwriter's Discount.....	<u>161,179</u>	<u>3,741</u>
Total Estimated Uses.....	<u>\$16,830,463</u>	<u>\$340,000</u>

<sup>(1)</sup> Costs of Issuance includes the State Bond Issuance fee, Letter of Credit fees and other fees.

**PART 9 — THE AUTHORITY**

**Background, Purposes and Powers**

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

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

State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At June 30, 2008, the Authority had approximately \$35.8 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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



The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2008 were as follows:

<b><u>Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>Notes Outstanding</u></b>	<b><u>Bonds and Notes Outstanding</u></b>
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	4,850,693,949	0	4,850,693,949
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	2,894,666,270	0	2,894,666,270
Community Colleges of the City University of New York .....	2,194,081,563	500,053,730	0	500,053,730
BOCES and School Districts .....	1,731,396,208	1,420,320,000	0	1,420,320,000
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	2,835,385,000	0	2,835,385,000
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 .....	<u>985,555,000</u>	<u>802,230,000</u>	<u>0</u>	<u>802,230,000</u>
Totals Public Programs.....	<u>\$41,788,653,036</u>	<u>\$19,064,111,666</u>	<u>\$ 0</u>	<u>\$19,064,111,666</u>
<b><u>Non-Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>Notes Outstanding</u></b>	<b><u>Bonds and Notes Outstanding</u></b>
Independent Colleges, Universities and Other Institutions.....	\$15,529,321,020	\$ 7,462,147,344	\$184,725,000	\$ 7,646,872,344
Voluntary Non-Profit Hospitals.....	13,397,904,309	8,064,170,000	0	8,064,170,000
Facilities for the Aged .....	1,996,020,000	1,043,980,000	0	1,043,980,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$31,018,245,329</u>	<u>\$16,570,297,344</u>	<u>\$184,725,000</u>	<u>\$16,755,022,344</u>
Grand Totals Bonds and Notes .....	<u>\$72,806,898,365</u>	<u>\$35,634,409,010</u>	<u>\$184,725,000</u>	<u>\$35,819,134,010</u>

#### **Outstanding Indebtedness of the Agency Assumed by the Authority**

At June 30, 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 June 30, 2008 were as follows:

<b><u>Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<b><u>Non-Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>
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 ...	<u>2,414,240,000</u>	<u>8,255,000</u>
Total Non-Public Programs .....	<u>\$ 9,265,549,927</u>	<u>\$ 401,424,927</u>
Total MCFFA Outstanding Debt .....	<u>\$ 13,082,780,652</u>	<u>\$ 401,424,927</u>

### **Governance**

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

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register

Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

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

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan 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 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-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of 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, Ph.D., Delmar.

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

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:

PAUL T. WILLIAMS, JR. is the Executive Director and chief administrative and operating officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

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

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

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member

of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

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

### **Claims and Litigation**

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

### **Other Matters**

#### *New York State Public Authorities Control Board*

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2008 Bonds.

#### *Legislation*

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

#### *Environmental Quality Review*

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

#### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

## **PART 10 — LEGALITY OF THE SERIES 2008 BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2008 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2008 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

## **PART 11 — NEGOTIABLE INSTRUMENTS**

The Series 2008 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolutions and in the Series 2008 Bonds.

## **PART 12 — TAX MATTERS**

### **Series 2008A Bonds**

#### *In General*

The Internal Revenue Code of 1986, as amended (the “Code”) contains certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. The Authority has covenanted in the Resolution, and the Institution has covenanted in the Loan Agreement, and each will covenant in the Tax Certificate to be executed and delivered in connection with the issuance of the Series 2008A Bonds, to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The covenant of the Authority described above does not require the Authority to make any financial contribution for which it does not receive funds from the Institution.

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on existing law and assuming compliance by the Institution and the Authority with the requirements of the Code and their respective covenants regarding the use, expenditure and investment of Series 2008A Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury, if required, interest on the Series 2008A Bonds will not be includable in the gross income of the owners of the Series 2008A Bonds for purposes of federal income taxation. Interest on the Series 2008A Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority or the Institution fails to comply, subsequent to the issuance of the Series 2008A Bonds, with their respective covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2008A Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury.

Furthermore, certain actions taken after the date of issuance of the Series 2008A Bonds that may cause the \$150 million limitation imposed by Section 145(b) of the Code on outstanding tax-exempt nonhospital bonds to be exceeded may cause interest on the Series 2008A Bonds to become included in gross income for federal income tax purposes retroactive to their date of issuance.

Bond Counsel’s opinion relies on certain representations made by the Institution with respect to certain material facts within the knowledge of the Institution which Bond Counsel has not independently verified and upon the accompanying opinion of John Zaccone, Esq., Staten Island, New York, counsel to the Institution, that the Institution is an organization described in Section 501(c)(3) of the Code or corresponding provisions of prior law and that, to the best of such counsel’s knowledge, the Institution has done nothing to impair such status. The tax exemption of interest on the Series 2008A Bonds is dependent upon, among other things, the Institution’s status as a “Section 501(c)(3) organization” and, therefore, the conclusion of Bond Counsel that such interest is excludable

from gross income for federal income tax purposes is dependent, in part, upon the opinion of John Zaccone, Esq. Bond Counsel will not independently verify the accuracy of those certifications and representations.

The above opinion with respect to the exclusion from gross income of the interest on the Series 2008A Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken in reliance upon the opinion of counsel other than Sidley Austin LLP delivered subsequent to the issuance of the Series 2008A Bonds.

Interest on the Series 2008A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Such interest will, however, be included in the calculation of the alternative minimum tax liabilities of corporations. The Code contains provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2008A Bonds or (ii) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Ownership of tax exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series 2008A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under existing law, the interest on the Series 2008A Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

#### *Original Issue Discount*

The excess, if any, of the amount payable at maturity of any maturity of the Series 2008A Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2008A Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal, State, City of New York and City of Yonkers income tax purposes to the same extent as interest on the Series 2008A Bonds. In general, the issue price of a maturity of the Series 2008A Bonds is the first price at which a substantial amount of Series 2008A Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Series 2008A Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisor with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.



### *Original Issue Premium*

The excess, if any, of the tax adjusted basis of the Series 2008A Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2008A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of such Series 2008A Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2008A Bonds are required to decrease their adjusted basis in such Series 2008A Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2008A Bonds are held. The amortizable bond premium on such Series 2008A Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Series 2008A Bonds. Owners of such Series 2008A Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2008A Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2008A Bonds.

### *Backup Withholding*

Interest paid on the Series 2008A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2008A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service (“IRS”) as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

### *Future Developments*

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2008A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2008A Bonds should consult their tax advisors regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

## **Series 2008B Bonds**

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### *Circular 230 Notice*

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Series 2008B Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Series 2008B Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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### *In General*

Interest on the Series 2008B Bonds will be includable in the gross income of the owners thereof for purposes of U.S. federal income taxation. See, “Certain U.S. Federal Income Tax Considerations,” below. Under existing law, interest on the Series 2008B Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

### *Certain U.S. Federal Income Tax Considerations*

The following summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2008B Bonds is based upon the Code, Treasury regulations promulgated thereunder, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates and retroactive changes) or possible differing interpretations. It deals only with Series 2008B Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, entities classified as partnerships, dealers in securities or currencies, persons holding Series 2008B Bonds as a hedge against currency risks or as a part of a “straddle”, “hedge”, “conversion”, or other integrated transaction for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Series 2008B Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Series 2008B Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2008B Bond and that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Series 2008B Bond is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons under the Code and applicable Treasury regulations thereunder prior to such date, that elect to continue to be treated as United States persons under the Code or applicable Treasury regulations thereunder also will be U.S. Holders. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of a Series 2008B Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership.

### *Payments of Interest*

Payments of interest on a Series 2008B Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting).

### *Original Issue Discount*

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2008B Bonds issued with original issue discount (“Discount Bonds”), if any. The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of

each maturity of Series 2008B Bonds in an issue of Series 2008B Bonds equals the first price at which a substantial amount of such maturity of Series 2008B Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Series 2008B Bond is the sum of all payments provided by the Series 2008B Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Series 2008B Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting). A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary interest for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Discount Bond. The “daily portion” of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An “accrual period” may be of any length and the accrual periods may vary in length over the term of the Discount Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

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

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

#### *Short-Term Series 2008B Bonds*

Series 2008B Bonds that have a fixed maturity of one year or less (“Short-Term Series 2008B Bonds”) will be treated as having been issued with original issue discount. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Series 2008B Bond will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Series 2008B Bonds will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method, and certain other holders, including banks and dealers in securities, are required to accrue original issue discount on a Short-Term

Series 2008B Bond on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

#### *Market Discount*

If a U.S. Holder purchases a Series 2008B Bond, other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2008B Bond at a “market discount,” unless the amount of such market discount is less than a specified de minimis amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2008B Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Series 2008B Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Series 2008B Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2008B Bond with market discount until the maturity of the Series 2008B Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or constant yield basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Series 2008B Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest income for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

#### *Premium*

If a U.S. Holder purchases a Series 2008B Bond for an amount that is greater than the sum of all amounts payable on the Series 2008B Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Series 2008B Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Series 2008B Bond and may offset interest otherwise required to be included in respect of the Series 2008B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2008B Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of the Series 2008B Bond. However, if the Series 2008B Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2008B Bond. Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

#### *Disposition of a Series 2008B Bond*

Except as discussed above, upon the sale, exchange or retirement of a Series 2008B Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder’s adjusted tax basis in the Series 2008B Bond. A U.S. Holder’s adjusted tax basis in a Series 2008B Bond generally will equal such U.S. Holder’s initial investment in the Series 2008B Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and

amortizable bond premium taken with respect to such Series 2008B Bond. Such gain or loss generally will be long term capital gain or loss if the Series 2008B Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

#### *Backup Withholding*

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2008B Bonds to registered holders who are not “exempt recipients” and who fail to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2008B Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s U.S. federal income tax provided the required information is furnished to the IRS.

#### *Legal Defeasance of Series 2008B Bonds*

Under the Resolution, the Series 2008B Bonds may be legally defeased. Owners of the Series 2008B Bonds should be aware that for U.S. federal income tax purposes, the deposit by the Authority of moneys or securities with the Trustee in such amount and such manner as to cause any Series 2008B Bonds to be deemed to be legally defeased could result in a deemed exchange under Section 1001 of the Code and a recognition by such owners of taxable income, without any corresponding receipt of moneys. In addition, for U.S. federal income tax purposes, the character and timing of receipt of payments on Series 2008B Bonds subsequent to any such defeasance could also be affected. Purchasers of Series 2008B Bonds should consult their own tax advisors with respect to the more detailed consequences to them of such defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

### **Future Developments**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2008A Bonds to be subject, directly or indirectly, to U.S. federal income taxation or interest on the Series 2008 Bonds to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of, in the case of the Series 2008A Bonds, the exclusion of such interest from gross income for U.S. federal income tax purposes, and the case of the Series 2008 Bonds, the exclusion of such interest from taxation by the State and its political subdivisions. Prospective purchasers of the Series 2008 Bonds should consult their tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

### **PART 13 – STATE NOT LIABLE ON THE SERIES 2008 BONDS**

The Act provides that notes or bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2008 Bonds shall not be a debt of the State nor shall the State be liable thereon.

### **PART 14 – COVENANT BY THE STATE**

The Act states that the State pledges and agrees with the holders of the Authority’s notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority’s notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State’s pledges and agreements contained in the Act, the State may

in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

#### **PART 15 – LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2008 Bonds by the Authority are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2008 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its counsel, John Zaccone, Esq., Staten Island, New York, for NYSRA by its counsel, Douglas A. Eldridge, Esq., Delmar, New York, for the Bank by its counsel, Harris Beach PLLC, Albany, New York, and for the Underwriter by its counsel, Hiscock & Barclay, LLP, Albany, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2008 Bonds or questioning or affecting the validity of the Series 2008 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to provide financing for the Institution in accordance with the provisions of the Act, the Resolution and the Loan Agreement.

#### **PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The arithmetical accuracy of certain computations was independently verified by Causey, Demgen & Moore (the "Verification Agent"). These computations, which were provided by the Underwriter, indicate the sufficiency of the receipts from the Investment Securities, together with an initial cash deposit, to pay to and at early redemption or at the maturity date, the principal of and interest on the Refunded Bonds. The Verification Agent relied upon assumptions and information supplied by the Underwriter on behalf of the New York City Industrial Development Agency and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

#### **PART 17 – CONTINUING DISCLOSURE**

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 180 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending June 30, 2008, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "NRMSIR") designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 5 – THE INSTITUTION" of this Official Statement (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available.

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

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such notices to DAC, should they have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will file the Notices with each such Repository or to the Municipal Securities Rulemaking Board (the "MSRB"), and the State Information Depository, in a timely manner. With respect to the Series 2008 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Trustee, the Institution, the holders of the Series 2008 Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution, the Trustee, and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Institution which consists of financial and operating data of the type included in this Official Statement in "PART 5 — THE INSTITUTION" under the heading "Sources of Public Funds."

The Notices include notices of any of the following events (each a "Notice Event") with respect to the Series 2008 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2008 Bonds; (7) modifications to the rights of holders of the Series 2008 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2008 Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2008 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2008 Bonds, may recover monetary damages thereunder under any circumstances. The Authority, the Trustee or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2008 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2008 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2008 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2008 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2008 Resolutions, the Loan Agreement, the Mortgage or the Reimbursement Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the holders of Series 2008 Bonds under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2008 Bonds will be on file at the principal office of the Authority.

#### **PART 18 – RATING**

The Series 2008 Bonds are expected to be rated “Aa2” by Moody’s Investors Service, Inc. (“Moody’s”). Such credit rating reflects only the view of the credit rating agency issuing the rating and an explanation of the significance of any such credit rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by any such credit rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such credit rating may have an adverse effect on the market price of the Series 2008 Bonds.

#### **PART 19 – UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2008A Bonds from the Authority at an aggregate purchase price (exclusive of net original issue discount of \$218,393.50 and underwriters discount of \$161,179.30) of \$14,270,427.20, and to make a public offering of Series 2008A Bonds at prices that are not in excess of the public offering prices and at yields that are not lower than the yields stated on the inside cover page of this Official Statement plus accrued interest. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2008B Bonds from the Authority at an aggregate purchase price (exclusive of underwriters discount of \$3,740.70) of \$336,259.30 and to make a public offering of Series 2008B Bonds at prices that are not in excess of the public offering prices and at yields that are not lower than the yields stated on the inside cover page of this Official Statement plus accrued interest.

The Series 2008 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower or yields higher than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

#### **PART 20 – MISCELLANEOUS**

References in this Official Statement to the Act, the Resolution, the Series 2008 Resolutions, the Letter of Credit, the Intercreditor Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage do not purport to be complete. Refer to the Act, the Resolution, the Series 2008 Resolutions, the Letter of Credit, the Intercreditor Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage for full and complete details of their provisions. Copies of the Resolution, the Series 2008 Resolutions, the Letter of Credit, the Intercreditor Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2008 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2008 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2008 Bonds.

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

The information set forth in this Official Statement regarding the Institution and the Financing Plan was supplied by the Institution. The Authority believes that this information is reliable, but the Authority and the Underwriter make no representations or warranties whatsoever as to the accuracy or completeness of this information.



The information regarding the Bank, the Letter of Credit and the Reimbursement Agreement has been furnished by the Bank. No representation is made herein by the Authority, the Institution or the Underwriter 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 Underwriter has made any independent investigation of the Bank or the Letter of Credit.

“Appendix A – Definitions”, “Appendix C - Summary of Certain Provisions of the Loan Agreement,” “Appendix D – Summary of Certain Provisions of the Resolution”, and “Appendix E – Form of Approving Opinion of Bond Counsel”, have been reviewed by Sidley Austin LLP Bond Counsel to the Authority.

“Appendix B – Staten Island Aid for Retarded Children, Inc. Financial Statements (With Accountants’ Report Thereon) for the Years Ended June 30, 2007 and 2006” contains the audited financial statements of the Institution for the years ended June 30, 2007 and 2006 and the report of the Institution’s independent accountants, DeSantis, Kiefer, Shall & Sarcone, LLP on such financial statements.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Financing Plan, the Estimated Sources and Uses of Funds, and Appendix B. It is a condition to the sale and delivery of the Series 2008 Bonds that the Institution certify as of the dates of sale and delivery of the Series 2008 Bonds that 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.

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

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

**DORMITORY AUTHORITY OF THE STATE  
OF NEW YORK**

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

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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 Resolution 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 Titles 4 and 4-B of Article 8 of the Public Authorities Law, as amended), as amended from time to time, including, but not limited to, by Chapter 371 of the Laws of 1998 of the State, as amended.

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

**Annual Authority Administrative Fee** means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority, as more particularly described in the Loan Agreement.

**Annual NYSRA Fee** means the fee payable during each Bond Year to NYSRA for services to be performed by NYSRA in accordance with the Act, as more particularly described in the Act.

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

**Assignment** means the assignment by the Authority, concurrent with the delivery of Bonds, of all of its rights under the Mortgage to the Trustee for the benefit of the Bondholders and to each Credit Facility Provider.

**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 succeeds to the rights, powers, duties and functions of the Authority.

**Authority Fee** means a fee payable to the Authority consisting of all the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project, as more particularly described in the Loan Agreement.

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

**Authorized Officer** means (i) in the case of the Authority, Chair, Vice-Chair, Secretary and Assistant Secretaries, Treasurer and Assistant Treasurers, Executive Director, Deputy Executive Director, Chief Financial Officer, Managing Director of Public Finance and Portfolio Monitoring, Managing Director of Construction, General Counsel and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized by a resolution or the by-laws of the Institution to perform any act or execute any document; and (iii) in the case of the Trustee, (a) any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and (b) who shall have direct responsibility for the administration of the Resolution; and (vi) in the case of a Credit Facility Provider, a vice president, a senior vice president, an assistant vice president, a director, a managing director, an executive vice president, and the president of the Credit Facility Provider, 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 Credit Facility Provider or the by-laws of the Credit Facility Provider.

**Available Moneys** means (1) proceeds of any Series of Bonds, including, without limitation, Refunding Bonds, or proceeds of bonds, notes or other obligations issued to refund Bonds provided that, as to such proceeds, an opinion of counsel acceptable to each Rating Service and experienced in bankruptcy matters is delivered to the Trustee and each Rating Service then rating the Bonds to the effect that the payment of such proceeds to the holders of the Bonds would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Bonds under 11 U.S.C. § 550(a) should the Authority or the Institution be the debtor in a case under the Bankruptcy Code; (2) moneys derived from drawings under any Credit Facility and the investment earnings thereon that are not commingled with any other moneys, (3) moneys held by the Trustee (other than in the Arbitrage Rebate Fund or the Credit Facility Provider Repayment Fund) and subject to a first-priority perfected lien under the Resolution for a period of at least 123 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Authority or the Institution unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, and the investment earnings thereon, that are not commingled with any other moneys, (4) any moneys as to which an opinion of counsel acceptable to each Rating Service and experienced in bankruptcy matters is delivered to the Trustee and each Rating Service then rating the Bonds to the effect that the payment of such moneys to the holders of the Bonds would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Bonds under 11 U.S.C. § 550(a) should the Authority or the Institution be the debtor in a case under the Bankruptcy Code, or (5) any moneys to be applied to pay principal of or interest on Bonds or amounts payable to a Credit Facility Provider pursuant to a final, non-appealable order of the United States Bankruptcy Court.

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

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

**Bond Series Certificate** means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under the Series Resolution authorizing the issuance of such Bonds.

**Bond Year** means, unless otherwise stated in a Series Resolution, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

**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 Outstanding 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 chartered under the laws of the State or of the United States of America are authorized or required by law to close in The City of New York or of the City of Albany, New York, or a day on which the New York Stock Exchange, the office of a Credit Facility Provider at which drafts are to be presented under a Credit Facility, or the corporate trust office of the Trustee is authorized to be closed.

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

**Comptroller** means the Office of the Comptroller of the State of New York.

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

**Contract Documents** means any general contract or agreement for the construction, repair, replacement or restoration of a Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications,

addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to the construction of a Project, and any amendments to the foregoing.

**Contribution Amounts** means amounts received by the Institution and deposited in a Construction Fund or Debt Service Reserve Fund pursuant to the Loan Agreement, and which amounts shall constitute Revenues.

**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 and any Credit Facility Provider, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and costs in connection with obtaining the Credit Facility, costs and expenses of refunding Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a Mortgage, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

**Cost or Costs of the Project** means the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a 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) any sums required to reimburse the Institution or the Authority for advances made by either of them for any of the above items or for other costs incurred and for work done by either of them in connection with the Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project, a Mortgage, the issuance of the Bonds or pursuant to the Resolution or to the Loan Agreement.

**Credit Facility** means (i) an irrevocable direct-pay letter of credit issued and delivered to the Trustee, by one or more of a bank, 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, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, or an insurance policy or any other instrument providing credit enhancement issued and delivered to the Trustee with respect to a Series of Bonds on the date of issuance of the Series of Bonds (including any extension thereof) and (ii) upon the issuance of a Substitute Credit Facility, such Substitute Credit Facility.

**Credit Facility Account** means the account so designated and established in the Resolution within the Debt Service Fund.

**Credit Facility Provider** means, so long as the Credit Facility issued by a Credit Facility Provider has not expired or been terminated, the issuer of a Credit Facility with respect to a Series of Bonds and, following the issuance of a Substitute Credit Facility, the issuer of a Substitute Credit Facility.

**Credit Facility Provider Default** means any one of the following events:(i) the institution of insolvency proceedings by or against the Credit Facility Provider under any bankruptcy act or any similar law which may be hereafter enacted (an "Insolvency"), unless such petition shall have been dismissed and such dismissal shall be final

and not subject to appeal; provided, that if any such petition is filed against the Credit Facility Provider, the Credit Facility Provider shall have 90 days to obtain such dismissal and further, provided, that so long as there exists an amount due and owing under the Reimbursement Agreement and the Credit Facility Provider has honored all properly presented and conforming drawings, no Credit Facility Provider Default shall exist; or (ii) any uncured failure by the Credit Facility Provider to honor any drawing timely presented under the Credit Facility and made in strict compliance with the terms of the Credit Facility, where (A) there is no Insolvency and (B) such failure does not result from a restraint imposed upon the Credit Facility Provider by a court order or any similar restriction; or (iii) any repudiation by the Credit Facility Provider of its obligation to honor any drawing timely presented, which drawing is in compliance with the terms of the Credit Facility.

***Credit Facility Provider Repayment Fund*** means the fund so designated, created and established pursuant to the Resolution.

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

***Debt Service Requirement*** means as of any time of determination thereof, an amount equal to the aggregate of (i) with respect to the interest on Outstanding Bonds of a Series payable on the first Interest Payment Date therefor, if such Interest Payment Date occurs more or less than six (6) calendar months after the date of issuance of the Bonds of such Series, the amount of interest thereon payable 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 occurring prior to such Interest Payment Date on which payments with respect to such interest are to be made pursuant to the Loan Agreement, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, (ii) with respect to the interest on Outstanding Bonds of a Series payable on an Interest Payment Date subsequent to the first Interest Payment Date therefor, one-sixth (1/6) of the interest payable on such Bonds on the next succeeding Interest Payment Date on which interest on such Bonds comes due multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding Interest Payment Date for such Bonds, (iii) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the July 1 next succeeding the date on which the Bonds of such Series were issued, the principal and Sinking Fund Installments thereon payable on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of dates occurring prior to such July 1 on which payments with respect to such principal and Sinking Fund Installments are to be made pursuant to the Loan Agreement, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, and (iv) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the July 1 on which principal or Sinking Fund Installments thereof were payable, one-twelfth (1/12) of the amount of principal and Sinking Fund Installments of such Bonds payable on the next succeeding July 1 multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding July 1.

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



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

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

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

**Exempt Obligations** means any of the following: (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized rating services; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

**Favorable Opinion of Bond Counsel** means an opinion of Bond Counsel, addressed to the Authority and the Trustee, to the effect that the action proposed to be taken will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation under Section 103 of the Code, in form and substance acceptable to the Authority and the Trustee.

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

**Government Obligations** means any of the following: (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations and rated “AA” by the Rating Services.

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

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

**Gross Receipts** means: (i) all Medicaid receivables and other revenues received by the Institution from the operation of all the Institution's facilities, all the proceeds, product, off-spring, rents and profits of all of the Institution's facilities and all other income available to the Institution from any other source, (ii) all of the Institution's accounts and other obligations of any kind now or hereafter existing, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, whether or not such services have been performed; provided, however, that any such accounts and obligations owed by or on behalf of any governmental body, division, authority or agency shall be limited in the case of services to those services that shall have been performed and earned by such Institution, (iii) all instruments, chattel paper, contract rights and general intangibles (other than any permit, license, certificate or other authorization from or contract with any governmental body, division, authority or agency) now or hereafter existing evidencing or relating to the right to receive payment respecting any such accounts or obligations, (iv) all rights now or hereafter existing in and to all security agreements and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, general intangibles or obligations, (v) all of such Institution's interest, if any, in any of the funds or accounts established pursuant to the Resolution, (vi) all investment income, gifts, bequests, contributions, grants and donations, excluding only grants, gifts, bequests, contributions and donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with payments under the Loan Agreement, any Reimbursement Agreement or Mortgage, and (vii) all proceeds of any and all of the foregoing collateral, including without limitation any amounts received from the sale, exchange, lease or other disposition of any of the foregoing and, to the extent not otherwise included, all payments under insurance (whether or not the Authority is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing collateral.

**Institution** means Staten Island Aid for Retarded Children, Inc., d/b/a Community Resources, a corporation organized and existing under the not-for-profit corporation law of the State of New York and a member of NYSRA, or its permitted successors and assigns.

**Intercreditor Agreement** means the Intercreditor agreement initially among HSBC Bank USA, N.A., as the Credit Facility Provider with respect to the initial Series of Bonds issued under the Resolution, the Trustee and the Authority, together with their successors and assigns, in connection with the rights and remedies of such parties in respect of the Mortgage, the Mortgaged Property, the Pledged Revenues and certain other moneys held under the Resolution, as from time to time amended or supplemented.

**Interest Payment Date** means the date or dates specified by definition or otherwise in the Bond Series Certificate on which interest on the Bonds will be paid.

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

**Loan Agreement** means, with respect to the Series 2008A Bonds and the Series 2008B Bonds, the Loan Agreement, dated as of April 23, 2008, by and between the Authority and the Institution in connection with the issuance of Bonds, and with respect to any other Series of Bonds, a supplement thereto or such other Loan Agreement as may be approved by and entered into by and between the Authority and the Institution pursuant to which the proceeds of such Series of Bonds is loaned to the Institution by the Authority, as the same may be amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

**Mortgage** means a mortgage, if any, or modification or amendment thereto granted by the Institution to the Authority pursuant to a Loan Agreement, in form and substance satisfactory to the Authority and the applicable Credit Facility Provider, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under a Loan Agreement and under the applicable Reimbursement Agreement, as such Mortgage may be amended or modified from time to time as provided for therein or in a Loan Agreement.

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

***NYSRA*** means New York State Rehabilitation Association, Inc., a New York State not-for-profit corporation, its successors and assigns.

***Official Statement*** means an official statement or other offering document relating to and in connection with the sale of the Bonds.

***OMRDD*** means the New York State Office of Mental Retardation and Developmental Disabilities.

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

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

***Permitted Collateral*** means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized rating service no lower than in the second highest rating category; (iv) financial guaranty agreements, sureties or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized rating service in the highest rating category; and (v) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged.

***Permitted Encumbrances*** means (i) the Loan Agreement, (ii) the Resolution, (iii) the Mortgage, (iv) any instrument recorded pursuant to the Loan Agreement, (v) any other encumbrances or matters approved in writing by the Authority and the Credit Facility Provider and (vi) those matters referred to in any title insurance policy described in the Loan Agreement and accepted by the Authority and by the Credit Facility Provider.

***Permitted Investments*** means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; (vi) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not long than two hundred seventy (270) days from the date of purchase; (vii) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased; (viii) Investment Agreements that are fully collateralized by Permitted Collateral; and (ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the

Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest short term rating category by at least one nationally recognized rating organization.

***Pledged Revenues*** means all Gross Receipts, the right to receive the same and the proceeds thereof.

***Prior Pledges*** means the liens, pledges, charges, encumbrances and security interests made and given by the Institution to secure prior obligations incurred by the Institution, the maintenance of which shall have been approved by the Authority and the Credit Facility Provider.

***Project or Projects*** means with respect to each Series of Bonds under the Resolution, the meaning set forth in the applicable Loan Agreement.

***Public Funds*** means all moneys apportioned or otherwise payable to the Institution by the United States, any agency thereof, the State, a political subdivision, as defined in Section 100 of the General Municipal Law, or any other governmental entity.

***Public Funds Assignment*** means, collectively, (i) that certain Assignment and Acknowledgement, by and among the Institution, the Authority, the Comptroller, and DOH and concurred with by NYSRA, and (ii) the letter from the Institution to OMRDD, as acknowledged by OMRDD, each as may be amended and supplemented from time to time, regarding the deduction, withholding and/or payment of Public Funds by OMRDD, the Comptroller and DOH, or any combination of the foregoing, in an amount required by the Resolution to the Authority or the Trustee.

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

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

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

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

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

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

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

**Record Date** means, unless a Series Resolution or a Bond Series Certificate provides otherwise, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date.

**Redemption Account** means each such account authorized to be created pursuant to the Resolution in the Debt Service Fund with respect to a Series of Bonds.

**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 prior to maturity thereof pursuant to the Resolution or to the applicable Series Resolution or Bond Series Certificate.

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

**Resolution** means the "New York State Rehabilitation Association Community Resources Revenue Bond Resolution" of the Authority, adopted April 23, 2008, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

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

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

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

**Series 2008A Resolution** means the Series Resolution adopted by the Authority authorizing the issuance of a Series of Bonds pursuant to Article II of the Resolution with respect to the portion of the Project financed with the

proceeds of the Series 2008A Bonds, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

**Series 2008B Resolution** means the Series Resolution adopted by the Authority authorizing the issuance of a Series of Bonds pursuant to Article II of the Resolution with respect to the portion of the Project financed with proceeds of the Series 2008B Bonds as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

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

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

**State** means the State of New York.

**Substitute Credit Facility** means an irrevocable direct-pay letter of credit issued and delivered to the Trustee in accordance with the Resolution upon the expiration or earlier termination of a Credit Facility, by one or more of a bank, 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, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, or an insurance policy or any other instrument of credit enhancement issued and delivered to the Trustee in accordance with the Resolution upon the expiration or earlier termination of a Credit Facility, to replace the Credit Facility;

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

**Tax Certificate** means a Tax Certificate concerning certain matters pertaining to the use of proceeds of a Series of Bonds executed by the Authority and the Institution on the date of issuance of such Bonds, including any and all exhibits attached thereto.

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

**Trustee** means a bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, 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.

**FINANCIAL STATEMENTS OF  
STATEN ISLAND AID FOR RETARDED CHILDREN, INC. INDEPENDENT AUDITORS' REPORT**

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**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

Certified Public Accountants



DeSantis  
Kiefer  
Shall &  
Sarcone  
LLP

*Navigating the Road  
to  
Financial Security*

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

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**Independent Auditors' Report**

Board of Directors  
Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources

We have audited the accompanying Statements of Financial Position of Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources (a not-for-profit corporation) as of June 30, 2007 and 2006, and the related Statements of Activities, Cash Flows, and Schedules of Functional Expenses for the years then ended. These financial statements are the responsibility of the management of Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources as of June 30, 2007 and 2006, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*DeSantis Kiefer Shall & Sarcone, LLP*

October 11, 2007

**Staten Island Aid for Retarded Children, Inc.**  
**d/b/a Community Resources**

Statements of Financial Position  
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,556,933	\$ 588,791
Short-Term Investments Held in Trust	1,204,010	1,132,471
Accounts Receivable	3,469,301	3,037,263
Prepaid Expenses	58,593	75,077
Participant Funds	262,139	193,849
Inventory	12,486	20,022
<b>Total Current Assets</b>	<b>7,563,462</b>	<b>5,047,473</b>
Non-Current Assets:		
Long-Term Investments Held in Trust	1,594,403	1,539,060
Fixed Assets - Net	17,825,633	16,488,255
Deferred Expenses	90,163	94,455
Debt Service Reserve Fund		118,005
Security Deposits	7,385	7,385
Other Assets	2,000	2,000
<b>Total Non-Current Assets</b>	<b>19,519,584</b>	<b>18,249,160</b>
<b>Total Assets</b>	<b>\$ 27,083,046</b>	<b>\$ 23,296,633</b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities:		
Current Installment of Loans Payable	\$ 624,153	\$ 715,459
Current Installment of Capital Lease Payable	260,000	245,000
Accounts Payable	226,575	396,608
Accrued Expenses	2,737,498	2,473,419
Due to Government Agencies	63,397	29,496
Employee Payable - Healthcare Enhancement	188,167	
Participant Funds	262,139	193,849
Line of Credit	2,136,213	195,000
<b>Total Current Liabilities</b>	<b>6,498,142</b>	<b>4,248,831</b>
Non-Current Liabilities:		
Capital Lease Payable	11,085,000	11,345,000
Loans Payable	4,632,702	5,223,929
<b>Total Non-Current Liabilities</b>	<b>15,717,702</b>	<b>16,568,929</b>
<b>Total Liabilities</b>	<b>22,215,844</b>	<b>20,817,760</b>
Net Assets:		
Unrestricted	4,867,202	2,478,873
<b>Total Net Assets</b>	<b>4,867,202</b>	<b>2,478,873</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 27,083,046</b>	<b>\$ 23,296,633</b>

The Accompanying Notes are an Integral Part of this Statement.

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Statements of Activities  
for the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Operating Revenues</u>		
Medicaid	\$ 15,689,899	\$ 13,956,793
New York City Department of Mental Health	376,249	354,268
New York City Board of Education	1,327,821	1,268,950
Vocational Rehabilitation	88,351	32,267
Preschool Grant Income	89,686	94,405
Contract Sales	1,078,547	978,902
Contributions and Grants	276,337	180,036
Interest and Dividends	145,626	92,133
Participant Fees	1,141,976	919,825
Day Care	52,249	70,513
Other Income	236,238	282,871
	<u>20,502,979</u>	<u>18,230,963</u>
<u>Operating Expenses</u>		
Group Homes	8,894,846	8,485,074
Sheltered Workshop	1,913,558	1,889,261
Day Treatment	1,341,478	1,338,731
Preschool	1,528,330	1,454,729
Day Habilitation	377,989	549,714
Medicaid Service Coordination	344,722	334,475
Special Tees	1,751,843	1,172,873
Preschool Grant	87,002	92,029
Administration	2,200,245	2,145,379
	<u>18,440,013</u>	<u>17,462,265</u>
Total Operating Expenses		
	<u>18,440,013</u>	<u>17,462,265</u>
Change in Net Assets from Operations	2,062,966	768,698
<u>Non-Operating Revenues</u>		
Prior Period Revenue Adjustments	325,363	377,846
	<u>325,363</u>	<u>377,846</u>
Change in Unrestricted Net Assets	2,388,329	1,146,544
Net Assets, Beginning of Year	2,478,873	1,332,329
	<u>2,478,873</u>	<u>1,332,329</u>
Net Assets, End of Year	<u>\$ 4,867,202</u>	<u>\$ 2,478,873</u>

The Accompanying Notes are an Integral Part of this Statement.

**Staten Island Aid for Retarded Children, Inc.**  
**d/b/a Community Resources**

Statements of Cash Flows  
for the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Change in Unrestricted Net Assets	\$ 2,388,329	\$ 1,146,544
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Unrestricted) Operating Activities:		
Depreciation and Amortization	831,526	782,954
Decrease (Increase) in Assets:		
Accounts Receivable	(432,038)	(1,023,540)
Prepaid Expenses	16,484	(64,942)
Security Deposits		13,985
Inventory	7,536	(4,485)
Deferred Expenses	4,292	
Debt Service Reserve Fund	118,005	
Increase (Decrease) in Liabilities:		
Accounts Payable	(170,035)	(228,453)
Accrued Expenses	264,079	248,912
Due to Government Agencies	33,901	(75,961)
Employee Payable	188,167	
Net Cash Provided by Operating Activities	<u>3,250,246</u>	<u>795,014</u>
Cash Flows from Investing Activities:		
Increase in Investments Held in Trust	(126,882)	(97,649)
Purchase of Fixed Assets	<u>(2,168,903)</u>	<u>(1,354,414)</u>
Net Cash Used in Investing Activities	<u>(2,295,785)</u>	<u>(1,452,063)</u>
Cash Flows from Financing Activities:		
Principal Repayments of Loans	(709,253)	(517,558)
Proceeds from Loans	26,721	1,639,495
Proceeds from Line of Credit	2,136,213	1,749,000
Payments of Line of Credit	(195,000)	(1,769,000)
Principal Payments of Capital Lease	<u>(245,000)</u>	<u>(225,000)</u>
Net Cash Provided by Financing Activities	<u>1,013,681</u>	<u>876,937</u>
Net Increase in Cash and Cash Equivalents	1,968,142	219,888
Cash and Cash Equivalents, Beginning of Year	<u>588,791</u>	<u>368,903</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,556,933</u>	<u>\$ 588,791</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	<u>\$ 913,068</u>	<u>\$ 888,800</u>

The Accompanying Notes are an Integral Part of this Statement.

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**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Schedules of Functional Expenses  
for the Years Ended June 30, 2007 and 2006

	2007										2006
	Program Services					Services					Total
	Group Homes	Sheltered Workshop	Day Treatment	Preschool	Day Habilitation	Medicaid Service Coordination	Special Iess	Preschool Grant	Administration	Total	
Salaries	\$ 5,400,333	\$ 617,305	\$ 754,606	\$ 776,078	\$ 220,026	\$ 265,287	\$ 594,500	\$ 59,960	\$ 1,235,544	\$ 9,923,639	\$ 9,335,717
Fringe Benefits	1,369,567	188,157	217,562	260,242	53,203	27,659	128,650	27,042	452,777	2,724,859	2,562,461
Total Salaries and Related Expenses	6,769,900	805,462	972,168	1,036,320	273,229	292,946	723,150	87,002	1,688,321	12,648,498	11,898,178
Consulting and Professional Fees	33,810	3,066	48,824	233,471	763	3,081	1,941		64,903	389,859	423,951
Insurance	84,145	24,803	9,720	14,398	2,012	2,249	14,460		16,379	168,166	184,951
Rent and Real Estate Taxes	132,230						261		13,694	146,185	164,681
Water and Sewer	25,890	2,347	654	1,088	129	108	3,468	390	390	34,074	31,581
Building Maintenance and Repairs	39,621	55,924	14,944	28,449	3,616	2,307	23,137		16,723	184,721	179,662
Utilities	154,246	70,971	19,762	24,583	3,890	3,272	41,730		15,410	333,864	315,747
Vehicle Operating Expenses	112,902	18,985	38,183	5	28,981		30,099		46,491	275,646	230,973
Vehicle Rentals											14,888
Equipment Lease	5,265	9,443	1,193		742		15,789		20,547	52,979	61,526
Equipment Maintenance	10,108	3,595	3,117	4,539	338	3,794	2,820		7,490	35,801	36,948
Small Equipment and Furniture	41,619	4,163	2,128	245	382	1,835	7,423		11,775	69,570	64,805
Recreational Activities	339,047	96,374	1,149	1,398	767	1	1,556		9,007	449,299	402,526
Program Supplies	84,140	11,549	6,992	2,009	2,930	52	1,117		359	109,148	117,551
Client Supplies and Expenses	49,960	8,302	4,037	775	3,592		4,479			71,145	76,843
Staff Travel	243	2,042	3		659	786	715		4,625	9,073	11,301
Telephone	48,415	11,557	2,860	9,002	921	1,202	12,675		14,440	101,072	106,709
Office Supplies and Postage	11,134	35,380	3,532	2,904	840	1,592	15,862		26,082	97,326	70,557
Client Wages		102,916								102,916	140,591
Medicaid Tax		23,291								23,291	60,975
Interest Expense	394,195	359,888	100,922	105,442	19,691	16,537	159,528		116,931	1,273,134	1,257,091
Advertising and Recruiting	4,503	1,081	325	2,789	272	1,797	11,991		8,556	31,314	26,234
Staff Training and Conferences	11,185	4,348	1,239	3,178	616	163	5,645		9,093	35,467	26,887
Client Transportation	10,676		20							10,696	15,837
Cost of Goods Sold	340	13,291	383		190		575,653			589,857	596,366
Miscellaneous	186,967	76,290	50,915	1,383	9,577	6,140	12,795		21,310	365,386	162,058
Total Before Depreciation and Amortization	8,550,541	1,745,068	1,283,070	1,471,978	354,137	337,862	1,666,294	87,002	2,112,535	17,608,487	16,679,317
Depreciation and Amortization	144,305	168,490	58,408	56,352	23,852	6,860	85,549		87,710	831,526	52,048
Total Expenses (Exhibit B)	\$ 8,694,846	\$ 1,913,558	\$ 1,341,478	\$ 1,528,330	\$ 377,989	\$ 344,722	\$ 1,751,843	\$ 87,002	\$ 2,200,245	\$ 18,440,013	\$ 17,462,365

See the Accompanying Auditors' Report and Notes to the Financial Statement

# Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources

Notes to Financial Statements  
June 30, 2007 and 2006

## 1. Nature of Organization

Staten Island Aid for Retarded Children, Inc. d/b/a Community Resources (hereinafter referred to as the "Agency") is a not-for-profit corporation, which provides residential, day treatment, educational and supportive employment services for individuals with developmental disabilities. The Agency has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is supported primarily by service fees paid by Medicaid, New York State and New York City.

## 2. Summary of Significant Accounting Policies

### *Reclassification*

Certain reclassifications have been made to the 2006 financial statement presentation to correspond to the current year's format. Total net assets are unchanged due to this reclassification.

### *Method of Accounting*

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

### *Estimates*

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

### *Functional Expenses*

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



**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

***Contributions***

Contributions are recognized when received, whether as cash, other assets, or a promise of future payments. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

***Donor Restrictions***

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met with the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

***Investments***

Investments are stated at fair value, based upon quoted market.

***Unrestricted Net Assets***

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

***Cash and Cash Equivalents***

For financial statement purposes, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

***Fixed Assets***

Fixed assets are stated at cost and are depreciated and amortized on the straight-line method over the following estimated useful lives:

Buildings and Improvements	5 – 30 Years
Furniture and Equipment	3 – 24 Years
Leasehold Improvements	5 – 25 Years
Vehicles	4 – 5 Years

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

***Third-Party Reimbursement and Revenue Recognition***

The Agency receives substantially all its revenues for services provided to approved participants from third-party reimbursement agencies, primarily the New York State Office of Mental Retardation and Developmental Disabilities (“OMRDD”), Medicaid and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Agency.

Participant fees represent the participants’ personal contributions towards the cost of goods and services the Agency is allowed to charge as regulated by Federal and State law.

Workshop revenues are recognized as goods are shipped or as services are performed.

**3. Restricted Investments Held in Trust – Industrial Development Agency**

Restricted investments held in trust at June 30, 2007 and 2006, are maintained in the following restricted bond funds:

	<u>2007</u>	<u>2006</u>
Earnings Fund (a)	\$ 118,460	\$ 57,195
Debt Service Reserve Fund (b)	1,132,471	1,132,471
Bond Fund (c)	774,387	746,656
Depreciation Reserve (d)	<u>773,095</u>	<u>735,209</u>
	2,798,413	2,671,531
Less: Non-Current Portion	<u>1,594,403</u>	<u>1,539,060</u>
Current Portion	<u>\$1,204,010</u>	<u>\$1,132,471</u>

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

- (a) Earnings Fund – The Earnings Fund is restricted for payment into the Bond Fund.
- (b) Debt Service Reserve Fund – The Debt Service Reserve Fund is established for the purpose of assuring that the Agency will have money available for payment of debt service on the bonds in each year that the bonds are outstanding.
- (c) Bond Fund – The Agency is required to make payments into the Bond Fund in accordance with the bond amortization schedule for the purpose of satisfying the principal and interest payments of the bond.
- (d) Depreciation Reserve – Payments are deposited and credited to the Bond Fund.

**4. Fixed Assets**

	<u>2007</u>	<u>2006</u>
Land	\$ 2,652,000	\$ 2,652,000
Building and Building Improvements	20,074,940	18,139,001
Furniture and Equipment	887,854	813,535
Leasehold Improvements	230,397	230,397
Vehicles	<u>649,931</u>	<u>588,269</u>
	24,495,170	22,423,202
Less: Accumulated Depreciation and Amortization	<u>(6,669,489)</u>	<u>(5,934,947)</u>
	<u>\$ 17,825,633</u>	<u>\$16,488,255</u>

**5. Deferred Expenses**

Deferred expenses consist of an original issue discount related to the bond payable. The original issue discount will be amortized over a 28-year period consistent with the payback period of the bond.

**6. Debt Service Reserve Fund – Dormitory Authority of the State of New York**

The Debt Service Reserve Fund represents funds held by OMRDD. These funds were determined to be unrecoverable and the Agency was advised by the Dormitory Authority of the State of New York to remove the balance.

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**7. Due to Government Agencies**

Due to government agencies consists partially of amounts due OMRDD and relates to the payback of preoperational advances, Medicaid tax assessments and retroactive rate adjustments. The amounts are to be repaid through rate recoupments in future years. The amounts to be recouped as of June 30, 2007 and 2006 were \$63,397 and \$29,496, respectively.

**8. Employee Payable**

The Agency receives reimbursement for Agency Employees' out-of-pocket medical expenses through the OMRDD Healthcare Enhancement Program. The employee payable consist of amounts due to Agency employees as reimbursement for out-of-pocket medical expenses. The amount to be paid as of June 30, 2007 and 2006 were \$188,167 and \$-0-, respectively.

**9. Loans Payable**

	<u>2007</u>	<u>2006</u>
Mortgage payable to the Dormitory Authority of the State of New York, due August 15, 2017, payable in semi-annual debt service and administrative fee payments ranging from \$38,896 to \$44,064, including interest at 6.16% per annum, secured by real estate located in Staten Island, New York.	\$ 587,500	\$ 627,500
Mortgage payable to the Dormitory Authority of the State of New York, due February 15, 2018, payable in semi-annual debt service and administrative fee payments of \$28,996, including interest at 7.30% per annum, secured by real estate located in Staten Island, New York	418,600	442,600
Mortgage payable to the Dormitory Authority of the State of New York, due August 15, 2007, payable in semi-annual debt service and administrative fee payments ranging from \$33,677 to \$38,821, including interest at 6.07% per annum, secured by real estate located in Staten Island, New York.	19,500	89,500

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**9. Loans Payable (Cont'd)**

	<u>2007</u>	<u>2006</u>
Loan payable to Citibank, due September 2016, payable in monthly installments that decrease from \$8,099 to \$3,472, including interest at 9%. The loan is secured by real estate located in Staten Island, New York.	\$382,570	\$423,929
Loan payable to Citibank, due September 2006, payable in monthly installments that decrease from \$631 to \$439, including interest at 9%. The loan is secured by real estate located in Staten Island, New York.		1,307
Loan payable to Citibank, due September 2016, payable in monthly installments that decrease from \$6,387 to \$2,738, including interest at 9%. The loan is secured by real estate located in Staten Island, New York.	301,702	334,318
Loan payable to Citibank, due September 2006, payable in monthly installments that decrease from \$1,932 to \$1,343, including interest at 9%. The loan is secured by real estate located in Staten Island, New York.		3,998
Loan payable to Citibank, due March 2017, payable in monthly installments that decrease from \$5,072 to \$2,310, including interest at 8.07%. The loan is secured by real estate located in Staten Island, New York.	268,450	295,984
Loan payable to Citibank, due March 2007, payable in monthly installments that decrease from \$2,573 to \$1,846, including interest at 8.07%. The loan is secured by real estate located in Staten Island, New York.		16,500

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**9. Loans Payable (Cont'd)**

	<u>2007</u>	<u>2006</u>
Loan payable to Citibank, due March 2017, payable in monthly installments that decrease from \$6,380 to \$2,919, including interest at 8%. The loan is secured by real estate located in Staten Island, New York.	\$342,200	\$377,000
Loan payable to Citibank, due March 2007, payable in monthly installments that decrease from \$3,850 to \$2,768, including interest at 8%. The loan is secured by real estate located in Staten Island, New York.		27,500
Loan payable to Citibank, due December 2017, payable in monthly installments that decrease from \$9,919 to \$2,159, including interest at 8%. The loan is secured by real estate located in Staten Island, New York.	270,274	296,015
Loan payable to Citibank, due December 2007, payable in monthly installments that decrease from \$3,851 to \$1,756, including interest at 8%. The loan is secured by real estate located in Staten Island, New York.	10,467	31,400
Loan payable to Citibank, due September 2009, payable in monthly installments of \$8,111, including interest at 5.25%. The loan is secured by real estate located in Staten Island, New York.	206,122	290,217
Loan payable to Citibank, due September 2014, payable in annual installments of \$25,000 starting in the third year of the loan. The interest rate is 5.25%. The loan is secured by real estate located in Staten Island, New York.	525,000	550,000

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**9. Loans Payable (Cont'd)**

	<u>2007</u>	<u>2006</u>
Loan payable to Citibank, due September 2020, payable in monthly installments that decrease from \$3,950 to \$1,959, including interest at 6.85%. The loan is secured by real estate located in Staten Island, New York.	\$309,770	\$333,149
Loan payable to Citibank, due September 2010, payable in monthly installments that decrease from \$3,974 to \$3,131 including interest at 5.5%. The loan is secured by real estate located in Staten Island, New York.	121,567	158,973
Loan Payable to Citibank, due May 2021, payable in monthly installments that decrease from \$4,136 to \$1,892, including interest at 8%. The loan is secured by real estate located in Staten Island, New York.	315,804	336,481
Loan payable to Citibank, due May 2011, payable in monthly installments that decrease from \$7,931 to \$5,804, including interest of 9.5%. The loan is secured by real estate located in Staten Island, New York.	276,874	340,325
Loan payable to Citibank, due July 2021, payable in monthly installments that decrease from \$9,049 to \$4,072, including interest of 8.25%. The loan is secured by real estate located in Staten Island, New York.	683,506	727,995
Loan payable to Citibank, due July 2011, payable in monthly installments that decrease from \$5,427 to \$3,937, including interest of 7.75%. The loan is secured by real estate located in Staten Island, New York.	191,671	234,697

**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**9. Loans Payable (Cont'd)**

	<u>2007</u>	<u>2006</u>
Loan payable to GMAC, due February 2012, payable in monthly installments of \$551, including interest of 8.75%.	\$ <u>25,278</u>	\$ _____
Total	5,256,855	5,939,388
Less: Current Installments	<u>(624,153)</u>	<u>(715,459)</u>
Long-term Portion of Loans Payable	<u>\$4,632,702</u>	<u>\$5,223,929</u>

Principal Payments are as follows:

2008	\$624,153
2009	593,425
2010	532,362
2011	543,504
2012	427,419
Thereafter	<u>2,535,992</u>
	<u>\$5,256,855</u>

**10. Capital Lease Payable**

On November 20, 1996, the Agency entered into an agreement with the New York City Industrial Development Agency ("IDA") to lease facilities located in Staten Island, New York. The lease, which expires on August 26, 2026, is recorded as a capital lease.

In connection with the lease agreement, IDA issued Civic Facility Revenue Bonds in the aggregate principal amount of \$12,800,000, which expire on August 25, 2026. The bond amortization is based on semi-annual payments of principal and interest at the rate of 7.5% per annum.



**Staten Island Aid for Retarded Children, Inc.  
d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

The bond proceeds were deposited into bonds funds held by United States Trust, which were used for acquisition of the leased facilities and debt service repayments. The Agency is required to make interest deposits into the bond fund based on one-sixth of the scheduled semiannual interest per the bond amortization schedule. With respect to principal payments, the Agency is required to deposit one-twelfth of the principal due during the next twelve months per the bond amortization schedule. Interest earned on the bond proceeds may be used to offset required deposits into the bond fund.

United States Trust has a lien on, and security interest in, the facility, property, equipment and furnishings, in addition to the rents, issues and profits generated by the facility.

Future minimum lease payments are as follows:

2008	\$1,110,875
2009	1,111,375
2010	1,115,375
2011	1,112,500
2012	1,113,125
Thereafter	<u>16,696,125</u>
Total	22,259,375
Less: Amount Representing Interest	<u>(10,914,375)</u>
Present Value of Net Minimum Lease Payments	11,345,000
Less: Current Installment	<u>(260,000)</u>
Long-term Portion of Lease Payable	<u>\$11,085,000</u>

**11. Leased Facilities**

The Agency leases various facilities on a month-to-month basis as governed by the original lease agreements. Rental expense for the years ended June 30, 2007 and 2006 was \$146,185 and \$164,681, respectively.

**Staten Island Aid for Retarded Children, Inc.**  
**d/b/a Community Resources**

Notes to Financial Statements  
June 30, 2007 and 2006

**12. Line of Credit**

The Agency had available a \$2,000,000 line of credit with Staten Island Bank and Trust which matured August 19, 2006.

The Agency has available a \$5,000,000 revolving loan agreement with HSBC Bank, utilizing two properties as collateral. Borrowings bear an interest rate of prime minus the applicable prime rate margin. The effective interest rate was 7.75% as of June 30, 2007. As of June 30, 2007, the Agency had \$2,136,213 outstanding under the loan agreement.

**13. Pension Plan**

The Agency sponsors a defined contribution pension plan that covers all full-time employees over age 21. Contributions to the plan were based on 14.2% of gross salary plus 18.5% of salary in excess of \$24,000. The pension contribution for the years ended June 30, 2007 and 2006 was \$1,106,843 and \$1,105,127, respectively.

**14. Related Party**

The Agency is related to Community Resources Capital Foundation, Inc. (the "Foundation") through common management and board members. For the years ended June 30, 2007 and 2006, the Agency made no contributions to the Foundation. For the year ended June 30, 2007, the Foundation donated a garage to the agency in the amount of \$117,744. Additionally, the Foundation pledged its investments as collateral for the Agency's line of credit and any other financing.

**15. Concentration of Credit Risk**

Financial instruments that potentially subject the Agency to a concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions, which, from time to time, exceed the Federal Deposit Insurance Corporation ("FDIC") limit. At June 30, 2007, uninsured balances were approximately \$2,011,505. The quality of the bank institution minimizes the risk. Throughout the year said balances were in excess of the FDIC insurance limit.

**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 each of the Loan Agreements pertaining to the Bonds and the Project. This summary does not purport to be complete and reference is made to each of the Loan Agreements for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

### **Termination**

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement 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 set forth under paragraphs (g) and (i) under the caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" and to provide reimbursement for or indemnification against certain expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. Upon termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the release or surrender of any security interests granted by Institution to the Authority pursuant to the Loan Agreement.

*(Section 43)*

### **Construction of the Project**

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series 2008A Resolution and the Series 2008B Resolution and under the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld and in writing by the Credit Facility Provider.

*(Section 5)*

### **Amendment of Project; Sale or Conveyance of Project or Mortgaged Property; Cost Increases; Additional Bonds**

The Project may be amended by agreements supplementing the Loan Agreement by and between the Authority and the Institution, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake.

The Institution covenants that it shall not transfer, sell, encumber, assign, lease or otherwise dispose of any interest in the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior written consent of the Authority and each Credit Facility Provider.

The Institution shall provide such moneys or an irrevocable letter of credit or other security in such form as may be acceptable to the Authority as in the reasonable judgment of the Authority may be required to pay the cost of completing the Project in excess of the moneys, letter of credit or other security in the Construction Fund established for the Project. Such moneys, letter of credit or other security shall be paid or be available to the Trustee for deposit

in the Construction Fund within thirty (30) days of receipt of notice from the Authority that such moneys or other security are required.

The Authority, upon request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the applicable account in the Construction Fund. Nothing contained in the Loan Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent of the Loan Agreement to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

*(Section 6)*

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

Except to the extent that moneys (excluding any moneys from a draw under any Credit Facility) are available therefor under the Resolution or under the Loan Agreement, including, without limitation, moneys in the Debt Service Fund, but excluding moneys from the Institution's Allocable Portion of the Debt Service Reserve Fund, but excluding interest accrued but unpaid on investments held in the Debt Service Fund, the Institution unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, such amounts set forth under the Series 2008A Resolution or the Series 2008B Resolution, the Authority Fee as set forth in the Loan Agreement and on the date a Series of Bonds, other than the Bonds issued under the Series 2008A Resolution or the 2008B Resolution, is issued, an amount equal to the Authority Fee with respect to such Series of Bonds;

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

(c) On the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the Interest Payment Date, one-sixth (1/6) of the interest coming due on the Bonds, on the immediately succeeding Interest Payment Date for such Bonds; provided, however, that, if there are less than six (6) such payment dates prior to the first Interest Payment Date on the Bonds of a Series, 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 Bonds on such Interest Payment Date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first Interest Payment Date on the Bonds of such Series;

(d) On the tenth (10th) day of each month commencing on the tenth (10th) day of July preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installments on the Bonds coming due on such July 1; provided, however, that, if there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on Bonds of a Series, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July 1;

(e) At least fifteen (15) days prior to any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount, in Available Moneys (other than moneys drawn under the Credit Facility), required to pay the Redemption Price of such Bonds;

(f) On July 1 of each Bond Year, one-half (1/2) of the Annual Authority Administrative Fee and one-half of the Annual NYSRA Fee payable during such Bond Year in connection with the Bonds, and on December 31 of each Bond Year the balance of the Annual Authority Administrative Fee and the Annual NYSRA Fee payable during such Bond Year;

(g) Promptly after notice from the Authority, but in any event not later than thirty (30) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and certain expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (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 of the Mortgage, the Resolution, the Series 2008A Resolution, the Series 2008B Resolution or a Bond Series Certificate in accordance with the terms of the Loan Agreement and thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, the Series 2008A Resolution, the Series 2008B Resolution or an applicable Bond Series Certificate and (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of a Series of Bonds or the financing, refinancing or construction of the Project;

(h) Promptly upon written demand by 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;

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

(j) On or before the date of delivery of the Bonds, an administrative fee to NYSRA for NYSRA's internal costs and overhead expenses attributable to the issuance of the Series 2008A Bonds and the Series 2008B Bonds.

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 the provisions of the Loan Agreement described in paragraph (d) under this caption 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.

The Authority directs the Institution, and the Institution agrees, to make the payments required by the provisions of the Loan Agreement described in paragraphs (b) directly for deposit in the Construction Fund, to make the payments described in paragraphs (c), (d), (e) and (h) above under this caption directly to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund and application in accordance with the Resolution, the payments required by the provisions of the Loan Agreement described in paragraph (i) above under this caption directly to the Trustee for deposit in the Arbitrage Rebate Fund, the payments required by the provisions of the Loan Agreement described in paragraphs (a), (f) (for the Annual Authority Administrative Fee) and (g) above under this caption directly to the Authority and the payments required by the provisions of the Loan Agreement described in paragraphs (f) (for the Annual NYSRA fee) and (j) above under this caption directly to NYSRA.

Notwithstanding any provision in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in the Loan Agreement as described under this caption), (i) all moneys paid by the Institution to the Trustee pursuant to the provisions of the Loan Agreement described in paragraphs (c), (d), (e) and (h) above under this caption (other than moneys received by the Trustee pursuant to the Resolution for Trustee compensation which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the

interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the deposit and application by the Trustee of any moneys (other than moneys relating to the Arbitrage Rebate Fund described under this caption) to the payment of the principal or Redemption Price of the Outstanding Bonds, in accordance with the applicable provisions of the Loan Agreement or of the Resolution, shall be deemed, upon such deposit and application, as receipt from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the principal of the Bonds to the extent of the amount of moneys so applied. 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 and each Credit Facility Provider, regardless of the actual due date or payment date of any payment to the Bondholders, except in respect to the payment to the Authority or NYSRA by the Trustee as provided for in the Resolution and in the Loan Agreement.

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

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

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

The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required by the Loan Agreement as described under this caption 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 described under the caption "Defaults and Remedies" 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, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund relating to the redemption or purchase of Outstanding Bonds made pursuant to the Loan Agreement as described above under this caption, the Authority agrees to direct the Trustee to purchase or redeem Bonds or portions thereof in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to cause the



Bonds Outstanding to be deemed paid in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

*(Section 9)*

### **Security Interest in Pledged Revenues**

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, and in accordance with the provisions of the Act, the Institution does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institution's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues, including the Public Funds Assignment. This pledge, grant of security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges.

The Institution represents and warrants that NYSRA has concurred with the pledge, grant and assignment of the Pledged Revenues and the Public Funds Assignment, as set forth in the Loan Agreement. The Institution further represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than Prior Pledges and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not hereafter (nor permit any related party to) create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior to the pledge described under this caption provided, however, that nothing set forth under this caption shall prohibit the incurrence of Alternative Parity Indebtedness.

*(Section 11)*

### **Collection of Pledged Revenues and Public Funds**

Commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the Debt Service Requirement.

Notwithstanding anything to the contrary described in the first paragraph under this caption, in the event that, on or prior to the tenth (10th) day of any month, the Institution makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose in the amount which the Institution is required to pay to the Trustee on the tenth (10th) day of such month pursuant to paragraphs (c) and (d) under the caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments", the Institution shall not be required solely by virtue of the provisions of the Loan Agreement described in the first paragraph under this caption, to deliver Pledged Revenues to the Trustee.

Any Pledged Revenues collected by the Institution that are not required to be paid to the Trustee pursuant to the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution, a Series Resolution or a Bond Series Certificate, may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default (as set forth under the caption "Defaults and Remedies"), nor any event which but for the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing.

Pursuant to the Act and the Public Funds Assignment, the Institution has assigned and pledged to the Authority the Public Funds in an amount sufficient to make all payments required to be made by the Institution under the Loan Agreement and the Institution agrees to direct the payment of such Public Funds, otherwise payable to the Institution, to the Authority for deposit in the Debt Service Fund. In addition to the Assignment, the

Institution agrees to execute and deliver, from time to time, such additional documents as may be required by the Authority, the Trustee, the Federal government or any agency thereof, the State or any agency thereof (including OMRDD, the Comptroller and DOH), any political subdivision (as defined in Section 100 of the State's General Municipal Law), any social services district in the State or any other governmental entity to authorize or implement such payment of Public Funds to the Authority or the Trustee in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. The Institution represents and warrants that NYSRA has concurred with the assignment and pledge by the Institution to the Authority of the Public Funds in an amount sufficient to make all payments required to be made by the Institution under the Loan Agreement. The Institution further acknowledges that all State and local officers within the State are authorized and required to pay any Public Funds so assigned and pledged to the Authority in accordance with the Loan Agreement. The Authority may periodically file a certificate with the State or any agency thereof (including OMRDD, the Comptroller and DOH), a political subdivision (as defined in Section 100 of the State's General Municipal Law), any social services district in the State or any other governmental entity setting forth the amount of Public Funds required to be paid to satisfy the obligations of the Institution under the Loan Agreement, which certificate may be amended by the Authority from time to time. Copies of said certificate and any amendments thereto filed pursuant to the Loan Agreement as described in this paragraph shall be delivered to the Trustee, each Credit Facility Provider and the Institution.

Unless and until an Event of Default shall have occurred, the Authority waives its right to collect those amounts payable to the Authority pursuant to the provisions of the Loan Agreement described in the immediately preceding paragraph. Upon the occurrence of an Event of Default, the Authority may, in addition to all other remedies available to it pursuant to the Loan Agreement, cause the Public Funds described in the immediately preceding paragraph to be deducted, withheld or paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by the Institution under the Loan Agreement.

*(Section 12)*

### **The Mortgage; Lien of Fixtures, Furnishings and Equipment**

At or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority, the Mortgage, in recordable form, mortgaging the Mortgaged Property, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances. Concurrently with the delivery of Bonds, the Authority will assign all of its rights under the Mortgage to the Trustee for the benefit of the Bondholders and to each Credit Facility Provider (the "Assignment"). The Trustee, with the consents of each Credit Facility Provider and the Authority, but without the consent of the Holders of the Bonds, may consent to the amendment, modification or termination of the Assignment or the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or on the Mortgaged Property, and the Mortgaged Property or such security interest may be released from the lien of the Mortgage, all upon such terms and conditions as the Authority and each Credit Facility Provider may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the aggregate principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Subject to said Mortgage and the Assignment, the Institution may remove equipment, furniture or fixtures from the Mortgaged Property without the consent of the Authority and any Credit Facility Provider, provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced to the extent the same has not been fully depreciated or no longer has any significant value or utility.

*(Section 13)*

### **Warranty as to Title; Encumbrances; Title Insurance**

The Institution warrants and represents to the Authority that (i) it has good and marketable title to the Project and all Mortgaged Property, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it and them to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the

Institution's programs and (ii) the Institution has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project and all Mortgaged Property, for proper operation and utilization of the Project and the Mortgaged Property and for utilities required to serve the Project and the Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of the Project.

The Institution covenants that title to the Project and all Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances and such other encumbrances approved in writing by the Authority, the Credit Facility Provider and the Trustee; provided, however, that nothing under this caption shall prohibit the incurrence of Alternative Parity Indebtedness pursuant to the Loan Agreement.

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

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

*(Section 14)*

#### **Consent to Pledge and Assignment by the Authority**

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee and each Credit Facility Provider of the Authority's rights to receive the payments required to be made pursuant to the provisions of the Loan Agreement described in paragraphs (c), (d), (e), and (h) under the caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" above, any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Pledged Revenues, the Mortgage, any security interest in the fixtures, furnishings and equipment located or used in connection with the Mortgaged Property, the Government Obligations and Exempt Obligations and all funds and accounts established under the Resolution (except the Arbitrage Rebate Fund and, as to the Trustee, the Credit Facility Provider Repayment Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement, and any and all other rights, title and interest assigned, transferred or pledged pursuant to the Intercreditor Agreement. The Institution further agrees that the Authority may pledge and assign to the Trustee and each Credit Facility Provider any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee and each Credit Facility Provider authorized by the Loan Agreement, the Trustee and such Credit Facility Provider shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligations to make all payments required by the Loan Agreement and by the applicable Reimbursement Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement and under the applicable Reimbursement Agreement. Any realization upon the Mortgaged Property and any pledge made or security interest granted by the Loan Agreement, shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement, unless and until such obligations have been paid in

full. The Institution covenants and warrants that it has obtained the written concurrence of NYSRA with each of the assignments, grants, pledges and agreements of the Institution described under this caption.

The Institution covenants, warrants and represents that it currently is and will continue to be a member of NYSRA, is duly authorized by all applicable laws, its certificate of incorporation and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, to make and deliver the Mortgage, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders and each Credit Facility Provider, the Pledged Revenues and the Government Obligations and Exempt Obligations in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee, for the benefit of the Bondholders and each Credit Facility Provider, granted or made pursuant to the Loan Agreement or to the Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Pledged Revenues and the Government Obligations, Exempt Obligations and all of the rites of the Authority and the Bondholders under the Loan Agreement and under the Resolution, any Series Resolution, any Bond Series Certificate and the Mortgage against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Mortgage, and the consummation of the transaction contemplated by the Loan Agreement and thereby and compliance with the provisions of the Loan Agreement and thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations and Exempt Obligations do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the articles of incorporation or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its or their 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.

The Institution covenants to (i) maintain a Credit Facility in place in accordance with the terms of the Resolution, the Series Resolution and the Bond Series Certificate relating to a Series of Bonds so long as such Series of Bonds is Outstanding and (ii) obtain the prior approval of the Authority for any Substitute Credit Facility for any Series of Bonds. The Institution covenants to take all actions necessary to obtain a rating on each Series of Bonds of at least investment grade, including, but not limited to, obtaining a Substitute Credit Facility with respect thereto, in the event that (i) the rating of such Series of Bonds or the related Credit Facility Provider's long-term rating is withdrawn or is reduced below investment grade and (ii) the Authority requires the Institution to take such action; provided, however, that such Substitute Credit Facility is available (a) at commercially reasonable rates and (b) without imposing on the Institution or the Authority conditions, tests, covenants and restrictions materially more restrictive than those then contained in the Loan Agreement or in the Resolution. In the event the Institution is unable to obtain a rating on any Series of Bonds of at least investment grade pursuant to the terms of the Loan Agreement, the Authority may cause a redemption of the Bonds prior to maturity of such Series of Bonds at par pursuant to the Bond Series Certificate relating to such Series of Bonds.

*(Section 15)*

#### **Tax-Exempt Status**

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to

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

*(Section 16)*

### **Use of the Project and Restrictions on Religious Use**

The Institution agrees that, unless otherwise approved by the Authority, the Project shall be maintained and operated as a “dormitory”, as defined in the Act, subject to and consistent with the requirements of the Loan Agreement.

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 all Mortgaged Property, (ii) the operation of a Project and all 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 all Mortgaged Property.

The Institution agrees that with respect to any Project or any 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 purposes 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 described restriction, said restriction shall not apply to the Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution 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 purposes or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of 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 Loan Agreement 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 20 and 21)*

**Covenant as to Insurance**

The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by institutions located in the State of a nature similar to that of the Institution, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

The Institution shall furnish to the Authority annually (1) a certificate or report of an insurance consultant that the insurance coverage maintained by the Institution is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

If the Authority shall so request in writing, the Institution shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

*(Section 23)*

**Damage or Condemnation**

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

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

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

*(Section 24)*

**Defaults and Remedies**

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

(a) the Institution shall default in the timely payment of any amount payable pursuant to the provisions of the Loan Agreement described under the caption "Financial Obligations of the Institution; General and

Unconditional Obligation; Voluntary Payments” above or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or the Resolution, and such default continues for a period in excess of seven (7) days after the payment thereof was due;

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

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

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

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

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

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

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

(i) an order of dissolution of the Institution shall be made by the State or other governmental authority having jurisdiction over the Institution, which order is not dismissed, vacated or stayed for an aggregate of thirty (30) days;

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

(k) an order of a court having jurisdiction, other than an order of a court related to acts permitted under the Loan Agreement, 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;

(l) giving of notice by any Credit Facility Provider to the Authority and the Trustee of the occurrence of an event of default under the applicable Reimbursement Agreement, to the extent permitted under the terms of such Reimbursement Agreement; or

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

Upon the occurrence of an Event of Default the Authority shall provide each Credit Facility Provider with written notice thereof upon obtaining actual knowledge thereof, and, subject to the terms of the Intercreditor Agreement and Governmental Requirements, may take any one or more of the following actions; provided, however, that in the case of an Event of Default described in paragraph (l) above accompanied by a written notice from such Credit Facility Provider to the Trustee directing the Trustee to cause an acceleration of the Bonds, the Authority shall take the action set forth in the Resolution and described in (a) below.

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

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

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

(e) realize upon any security interest which the Authority may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, by any one or more of the following actions: (i) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (ii) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due with respect to the Bonds on the next Interest Payment Date, subject to acceleration of the Pledged Revenues, and may continue to do so commencing on each Interest Payment Date to the extent of amounts due to the Authority under the Loan Agreement on the next Interest Payment Date, with respect to the Pledged Revenues, until such amounts are fully collected; provided, however, that written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors, and provided further that until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (iii) following the above-mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (iv) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement including the fees and expenses of the Authority, and provided further that the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate



purposes, and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (v) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

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

(g) subject to the Intercreditor Agreement, take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, or by law, and any other action or proceeding permitted by the terms of the Loan Agreement or by law.

All rights and remedies given or granted to the Authority in the Loan Agreement 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 provisions of the Loan Agreement described in paragraph (a) above and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

*(Section 29)*

**Amendments to Loan Agreement and Reimbursement Agreement; Substitute Credit Facility**

The Loan Agreement may be amended only in accordance with the Resolution and any Intercreditor Agreement 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. The Institution also covenants that (i) it shall not amend or supplement any Reimbursement Agreement (which covenant shall not apply to waivers) nor shall it execute a reimbursement agreement to provide for a Substitute Credit Facility, in either case, without the prior written consent of the Authority, which shall not be unreasonably withheld or delayed and (ii) it shall promptly provide a copy of any amendment or supplement to any Reimbursement Agreement to the Trustee.

The Institution shall use its best efforts to obtain an extension of any Credit Facility or a Substitute Credit Facility not later than the 60th day prior to the expiration date of such Credit Facility.

*(Section 40)*

**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. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix D shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolution.

### **Resolution and the Bonds Constitute Separate Contracts**

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds and each Credit Facility Provider, 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 Bonds over any other Bonds except as expressly provided in the Resolution or permitted by the Resolution or, with respect to a Credit Facility Provider, except as agreed to by such Credit Facility Provider.

*(Section 1.03)*

### **Pledge of Revenues**

The proceeds from the sale of the Bonds, the Revenues, the Authority's security interests in the Pledged Revenues and all funds and accounts established by the Resolution and by any Series Resolution, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, are 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 and under any Series Resolution and, together with the Credit Facility Provider Repayment Fund, to each Credit Facility Provider as security for the Institution's performance of its obligations under the applicable Reimbursement Agreement, all in accordance with the provisions of the Resolution. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds of the sale of the Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and the funds and accounts established by the Resolution and which are pledged as provided in the Resolution, which pledge shall constitute a first lien thereon, subject only, with respect to such Pledged Revenues, to the Prior Pledges; provided, however, that the Institution may incur Alternative Parity Indebtedness as provided in the Loan Agreement.

*(Section 5.01)*

**Establishment of Funds**

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

- Credit Facility Provider Repayment Fund;
- Construction Fund;
- Debt Service Fund; and
- Arbitrage Rebate Fund.

There is also established in the Debt Service Fund (i) a Credit Facility Account and (ii) a Redemption Account. Additional accounts and sub-accounts within each of the aforementioned funds or accounts may be established with respect to any Series of Bonds in accordance with a Series Resolution, a Bond Series Certificate or at the direction of the Authority. All moneys at any time deposited in any fund, account or sub-account created and pledged by the Resolution or by any Series Resolution or required thereby to be created, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution.

*(Section 5.02)*

**Application of Bond Proceeds and Allocation Thereof**

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

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

*(Section 5.03)*

**Application of Moneys in the Construction Fund**

As soon as practicable after the delivery of each Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the appropriate Construction Fund any moneys in addition to the proceeds of Bonds paid to the Authority for the acquisition, construction, reconstruction, renovation or equipping of a Project all pursuant to the Resolution.

Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may combine one or more further accounts or subaccounts, as the Authority or the Trustee may deem proper.

Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of the Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority, substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, naming the Project in connection with which such payment is to be made and approved by the Credit Facility Provider of the Credit Facility with respect to the Series of Bonds issued in connection with such Project in writing describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of the Project except that payments to pay interest on the Bonds

shall be made by the Trustee upon receipt of, and in accordance with, the direction of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund. No such Institution certificate shall be necessary in connection with the Costs of Issuance.

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

A Project shall be deemed to be complete upon delivery to the Authority, the Credit Facility Provider and the Trustee of a certificate signed by an Authorized Officer of the Institution which certificate shall be delivered as soon as practicable after the date of completion of the Project, or upon delivery to the Institution and the Trustee of a certificate of the Authority and approved by the applicable Credit Facility Provider, which certificate may be delivered at any time after completion of the Project, all in accordance with the terms of the Loan Agreement. Such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to the Project and that the Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of the Project, the moneys, if any, then remaining in the Construction Fund relating to the Project, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

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

Second: To the Debt Service Fund to be applied to the redemption of Bonds as provided in the Resolution, any balance remaining.

*(Section 5.04)*

**Deposit of Revenues and Allocation Thereof**

The Revenues and any other moneys which, by any of the provisions of the Loan Agreement, are required to be paid to the Trustee (other than moneys derived from gifts or grants required to be used to pay Costs of the Project and paid to the Trustee for deposit in the Construction Fund pursuant to the Loan Agreement) shall upon receipt thereof be deposited or paid by the Trustee as follows and in the following order of priority:

First: To the Debt Service Fund, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on the next succeeding Interest Payment Date of such Bonds; (b) (i) in the case of amounts deposited in the Debt Service Fund during the period from the beginning of each Bond Year until December 31 thereof, the amount necessary to pay one-half (½) of the principal and Sinking Fund Installments becoming due on the Outstanding Bonds on the next succeeding July 1; and (ii) in the case of amounts deposited in the Debt Service Fund after December 31 in a Bond Year and until the end of such Bond Year, the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Outstanding Bonds on such July 1; and (c) to the Redemption Account of the Debt Service Fund, moneys which are required or have been set aside for the redemption of Bonds, including moneys derived from proceeds of the Bonds or from gifts and grants or otherwise remaining in the Construction Fund at the time of Completion of the Project pursuant to the Resolution;

Second: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund in the amount set forth in such direction; and

Third: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or the Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to the Resolution as described in this paragraph Third.

Fourth: To NYSRA, unless otherwise paid, such amounts as is required under a Loan Agreement; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Institution, stating in reasonable detail the amounts payable to NYSRA pursuant to this paragraph Fourth.

After making the payments required by the provisions of the Resolution previously described under this caption, any balance of Revenues remaining on the immediately succeeding July 1 shall be paid by the Trustee to the Institution upon and in accordance with the direction of the Authority in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement. The Trustee shall notify the Authority and the Institution promptly after making the payments required by the provisions of the Resolution described in the first paragraph under this caption of any balance of Revenues remaining on the immediately succeeding July 1.

*(Section 5.05)*

#### **Credit Facility; Credit Facility Provider Repayment Fund**

Unless otherwise provided in a Series Resolution with respect to a Credit Facility for a particular Series of Bonds, the Trustee shall draw on the applicable Credit Facility in accordance with its terms at such times as are necessary in order to allow the Trustee to make the payments required described under the caption "Debt Service Fund" with respect to such Series of Bonds for which the Credit Facility was issued on the date such payments are due. The Trustee shall deposit all amounts drawn under the Credit Facility in the Credit Facility Account of the Debt Service Fund. The Trustee shall establish a separate subaccount within the Credit Facility Account for each Series of Bonds issued under the Resolution and under any Series Resolution. Only amounts drawn under the Credit Facility and any investment earnings thereon shall be deposited in the Credit Facility Account. All other moneys deposited in the Debt Service Fund shall be held separate and apart from the Credit Facility Account. Amounts drawn under a Credit Facility shall be held by the Trustee in the Credit Facility Account and shall not be commingled with any other moneys held by the Trustee. Amounts drawn under the Credit Facility shall not be deemed the property of the Authority or the Institution.

Amounts deposited in any subaccount of the Credit Facility Account shall be held separate and segregated and shall not be commingled with amounts held in any other subaccount of the Credit Facility Account.

Each Credit Facility Provider Repayment Fund shall be held for the exclusive benefit of the applicable Credit Facility Provider. Unless otherwise provided in a Series Resolution with respect to a Credit Facility for a particular Series of Bonds, and subject to the succeeding sentence, by the close of business, New York City time, on the day on which the Trustee has received amounts drawn under a Credit Facility, the Trustee shall withdraw from the Credit Facility Provider Repayment Fund an amount sufficient to reimburse the Credit Facility Provider under whose Credit Facility funds were drawn for the amount of such draw and shall transfer such amount to the Credit Facility Provider. The Trustee shall not transfer moneys from the Debt Service Fund or any other fund to reimburse a Credit Facility Provider for amounts drawn on such Credit Facility Provider's Credit Facility until after the amounts drawn on the Credit Facility shall have been deposited into the Credit Facility Account. The Trustee shall notify the Institution in writing promptly following each payment to a Credit Facility Provider with amounts in the Credit Facility Provider Repayment Fund.

*(Section 5.06)*



**Debt Service Fund**

The Trustee shall pay and permit the withdrawal of amounts in deposit in the Debt Service Fund on an Interest Payment Date and scheduled redemption date as follows:

- (a) the interest due on all Outstanding Bonds on such Interest Payment Date;
- (b) the principal amount due and payable on all Outstanding Bonds on such Interest Payment Date;
- (c) the Sinking Fund Installments, if any, due and payable on all Outstanding Bonds on such Interest Payment Date; and
- (d) moneys required for the redemption of Bonds in accordance with the Resolution.

The amounts paid out pursuant to the Resolution as described under this caption shall be irrevocably pledged to and applied to such payments.

The Trustee shall make the payments required to be made pursuant to the Resolution, as described under this caption, with amounts on deposit in the Credit Facility Account. If the amounts on deposit in the Credit Facility Account are insufficient to make such payments, then the Trustee shall use other Available Moneys on deposit in the Debt Service Fund. On the day that amounts drawn under the Credit Facility are received by the Trustee and deposited in the Credit Facility Account, the Trustee shall withdraw from the Debt Service Fund (other than the Credit Facility Account) an amount sufficient to reimburse the applicable Credit Facility Provider for the amount of such draw under the Credit Facility Provider's Credit Facility and for any other previously unreimbursed draw on the Credit Facility, and shall transfer such amounts to the Credit Facility Provider Repayment Fund.

In the event that the moneys on deposit in the applicable subaccount of the Credit Facility Account and other Available Moneys in the Debt Service Fund are insufficient to make the payments required to be made pursuant to the Resolution, as described under this caption, then the Trustee shall use any other moneys on deposit in the Debt Service Fund other than moneys on deposit in another subaccount of the Credit Facility Account and further provided that no moneys in the Redemption Account or any subaccount thereof shall be used to make payments attributable to interest payments due under the Resolution, as described under this caption.

Amounts drawn on the Credit Facility and the earnings thereon shall not be paid to the Authority or the Institution pursuant to the Resolution or any Loan Agreement, notwithstanding anything in the Resolution, any Series Resolution, any Bond Series Certificate or any Loan Agreement to the contrary. Notwithstanding any other provisions of the Resolution to the contrary, neither the Trustee nor the Paying Agent shall have a lien on any Available Moneys, amounts being held to become Available Moneys, amounts drawn under any Credit Facility or the investment earnings thereon nor shall the Trustee or the Paying Agent apply such amounts to pay any amounts other than principal, Sinking Fund Installments, if any, or Redemption Price of or interest on Bonds.

*(Section 5.07)*

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

Moneys delivered to the Trustee, which by the provisions of the Loan Agreement or the Resolution are to be applied for redemption of the Bonds (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to make such payments), shall upon receipt by the Trustee be deposited to the credit of the appropriate account in the Debt Service Fund for such purpose.

In the event that on any Interest Payment Date the amount in the Debt Service Fund, exclusive of amounts therein deposited for the redemption of Bonds, shall be less than the amounts respectively required for payment of interest on Outstanding Bonds, for the payment of principal of such Outstanding Bonds or for the payment of

Sinking Fund Installments of such Outstanding Bonds due and payable on such Interest Payment Date, the Trustee shall apply moneys in the Debt Service Fund deposited therein for the redemption of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption, including accrued interest on such Bonds to the date of redemption) in the following order of priority, to pay (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to pay) interest on, principal of or Sinking Fund Installments of such Bonds, respectively.

Subject to the provisions of the Resolution described in the immediately preceding paragraph, Available Moneys in the Debt Service Fund to be used for redemption of Bonds shall be applied by the Trustee to the purchase of Outstanding Bonds at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

Notwithstanding the provisions of the Resolution described in the immediately preceding paragraph, if the amount in the Debt Service Fund at any time (other than moneys required to pay (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to pay) the Redemption Price of any Outstanding Bonds theretofore called for redemption, including accrued interest on such Bonds to the date of redemption) is sufficient to make provision, pursuant to the Resolution, for the payment of such Outstanding Bonds at the maturity or redemption date thereof, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem certain of such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase direct obligations of the United States of America sufficient to make any deposit required thereby, shall comply with such request.

*(Section 5.11)*

#### **Application of Moneys in Certain Funds for Retirement of Bonds**

Notwithstanding any other provisions of the Resolution, if at any time the amounts of Available Moneys held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, or to make provision pursuant to the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority, each Credit Facility Provider and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds as provided in the Resolution or (ii) give the Trustee irrevocable instruction in accordance with the provisions of the Resolution described under the caption “Defeasance” and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance with the Resolution.

*(Section 5.12)*

#### **Draw Upon Credit Facility**

In addition to draws upon the applicable Credit Facility pursuant to the provisions of the resolution described under the caption “Debt Service Fund”, the Trustee shall immediately draw upon the applicable Credit Facility upon the occurrence of: (i) a special mandatory redemption of the Bonds of the applicable Series pursuant to the second, third and fourth paragraphs under the caption “Redemption Other Than at Authority’s Election or Direction” or the terms of any Bond Series Certificate or (ii) an acceleration of the Bonds of the applicable Series pursuant to the caption “Acceleration of Maturity”. The amount to be drawn under the Credit Facility shall be the full extent of the amounts available thereunder necessary to pay the principal, Sinking Fund Installments or Redemption Price of (as and to the extent that any premium, is provided for under the terms of the Credit Facility), and up to 206 days (or such lesser number of days as may be provided in a Series Resolution with respect to a Credit Facility for such Series of Bonds) of interest on, all Outstanding Bonds of the applicable Series on the date on which

the same shall be due, including upon the declaration that the principal of and interest on all Outstanding Bonds of the applicable Series is immediately due and payable in accordance with the provisions described under the caption “Acceleration of Maturity”.

The Trustee shall immediately draw on the applicable Credit Facility in accordance with its terms and is authorized hereby to do all acts necessary to comply with such terms. At such time as the Trustee is required to draw on a Credit Facility as set forth under this caption, the Trustee shall present the documents required by such Credit Facility.

Notwithstanding any other provision of the Resolution, amounts drawn under a Credit Facility shall be used solely to make payments on the Series of Bonds in respect of which such Credit Facility was issued and shall not be used for any other purpose.

*(Section 6.01)*

#### **Amendments to Credit Facility**

The Trustee shall not consent to any amendment, supplement, modification or waiver to a Credit Facility which, in the Trustee’s reasonable judgment, would materially adversely affect the interest of the Holders of the Outstanding Bonds of the applicable Series.

For the purposes of the provisions described under this heading, the Bonds of a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the applicable Credit Facility if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion, and without any liability to the Authority or Bondholders, determine whether or not, in accordance with the foregoing provisions, the Bonds of a Series would be adversely affected by any amendment, change, modification, alteration or termination, and any such determination shall be binding and conclusive on the Authority and the Holders of all such Bonds.

For all purposes of this caption, the Trustee shall be entitled to rely upon an opinion of counsel, including an opinion of Bond Counsel, which counsel shall be satisfactory to the Authority, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

*(Section 6.02)*

#### **Reduction or Termination of Credit Facility**

The Trustee shall, in accordance with the applicable provisions of the Credit Facility and/or Bond Series Certificate, take such action (including filing of certificates of reduction), if any, as shall be required to reduce the amount available to be drawn thereunder in respect of the principal, Sinking Fund Installments, and Redemption Price of and interest on the Series of Bonds to which such Credit Facility relates to reflect any reduction in the amount of Bonds Outstanding of such Series; provided, however, that unless otherwise provided herein, the amount available to be drawn under the Credit Facility shall at all times be not less than the principal amount of the Outstanding Bonds of a Series to which such Credit Facility relates, plus 206 days (or such lesser number of days as may be provided in a Series Resolution with respect to a Credit Facility for such Series of Bonds) of interest thereon and the amount, if any, provided therein with respect to the premium due in connection with the redemption of the Bonds of such Series. Any calculation of the Available Amount (as defined in the Credit Facility) required of the Trustee in connection with a reduction of a Credit Facility shall be prepared by the Authority, in conjunction with the Trustee, and submitted by the Trustee pursuant to the terms of the applicable Credit Facility.

*(Section 6.03)*

### **Substitute Credit Facility**

Subject to the provisions of any applicable Series Resolution, the Authority may, at any time, at its option, upon written notice to a Credit Facility Provider, or the Institution may, at any time, at its option with the prior written consent of the Authority and upon written notice to a Credit Facility Provider, deliver or cause to be delivered to the Trustee a Substitute Credit Facility provided by the Institution. No such Substitute Credit Facility shall be or become effective for purposes of the Resolution unless, (a) the terms thereof are in all material respects the same as or more favorable to the Holders of the Bonds of such Series for which such Substitute Credit Facility will be issued than the then existing Credit Facility and the amount of such Substitute Credit Facility is not less than the sum of the principal amount of Bonds Outstanding of such Series plus interest thereon for 206 days (or such lesser number of days as may be provided in a Series Resolution with respect to a Credit Facility for such Series of Bonds), (b) on or prior to the date of issuance thereof, the Authority shall have furnished to the Trustee (i) a Favorable Opinion of Bond Counsel which opinion shall also state that the execution or delivery of such Substitute Credit Facility is authorized under the Resolution and complies with the terms of the Resolution, and (ii) an opinion or opinions of counsel to the Credit Facility Provider issuing such Substitute Credit Facility, satisfactory in form and substance to the Authority and the Trustee, with respect to the matters set forth in the Resolution, (c) the Institution delivers to the Trustee a certificate of the Credit Facility Provider that all amounts due under the Reimbursement Agreement have been paid and (d) written evidence from the rating agencies then assigning ratings to the applicable Series of Bonds to the effect that such Rating Service has reviewed the proposed Substitute Credit Facility and that the issuance of such Substitute Credit Facility (A) will not, by itself, result in a reduction or withdrawal of its rating of such Series of Bonds from the rating which then prevails and (B) will not cause such Series of Bonds to be rated below investment grade. The Trustee shall give written notice of the delivery of any such Substitute Credit Facility to such rating agencies.

Any Credit Facility Provider issuing a Substitute Credit Facility shall have a combined capital stock, surplus and undivided profits of at least \$125,000,000; provided, however, that with respect to a branch or an agency of a foreign bank, the combined capital stock, surplus and undivided profits of both the branch or the agency and the foreign bank shall be utilized in order to fulfill this requirement as long as a favorable opinion of counsel is received by the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of a judgment rendered in an American court with respect to the obligations of the Credit Facility Provider under the Substitute Credit Facility in the jurisdiction of organization of such foreign bank. Any such Credit Facility Provider shall be authorized by law to perform all the duties and obligations thereof under the Resolution. A Substitute Credit Facility shall be effective and moneys shall be available to be drawn thereunder not later than the date on which the existing Credit Facility expires or is terminated.

A Substitute Credit Facility shall be delivered to the Trustee not less than sixty (60) days prior to the expiration date of the Credit Facility, provided, however, that such Substitute Credit Facility may provide that amounts may not be drawn thereunder prior to the expiration or termination date of the then existing Credit Facility. Within thirty (30) days following the delivery of a Substitute Credit Facility to the Trustee, the Trustee shall give notice to the Holders of the Outstanding Bonds of such Series for which such Substitute Credit Facility has been delivered, which notice shall contain (i) a description of such Substitute Credit Facility (including the date of expiration thereof); (ii) the name of the Credit Facility Provider issuing such Substitute Credit Facility; (iii) a statement that the ratings on such Series of Bonds (a) will not, as a result of the substitution of such Substitute Credit Facility for the then existing Credit Facility, be reduced or withdrawn and (b) will be at least investment grade; and (iv) a statement that the Favorable Opinion of Bond Counsel and the opinion(s) of counsel to the Credit Facility Provider issuing the Substitute Credit Facility necessary for such Substitute Credit Facility to become effective have been obtained. Such notice shall be sent by first-class mail, postage prepaid, or, at the option of the Trustee, by certified mail return receipt requested, to the registered owners of the Bonds of such Series for which such Substitute Credit Facility has been delivered, at their last known addresses, if any, appearing on the registration books. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds of such Series in the manner provided herein. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond of such Series to receive such notice shall not affect the validity of the proceedings in connection with the effectiveness of such Substitute Credit Facility. If directed in writing by the Authority, the Trustee shall also give

such notice by publication thereof once in an Authorized Newspaper, such publication to be made contemporaneously with the mailing of such notice, but such publication shall not be a condition precedent to the effectiveness of such Substitute Credit Facility, and failure to so publish any such notice or a defect therein or in the publication thereof shall not affect the validity of the proceedings in connection with the effectiveness of such Substitute Credit Facility.

Beginning from and after the date upon which any Substitute Credit Facility shall have become effective, the Trustee shall, by endorsement or otherwise, affix on each Bond of such Series to which such Credit Facility relates which shall be delivered for registration or transfer thereof (or any Bond authenticated in substitution or replacement therefor) a legend containing (i) the name of the Credit Facility Provider issuing such Substitute Credit Facility, (ii) the date upon which such Substitute Credit Facility shall have become effective and (iii) the stated expiration date of such Substitute Credit Facility.

In the event a Substitute Credit Facility is delivered to the Trustee, the Trustee shall, on the date on which moneys may be drawn under such Substitute Credit Facility for the payment of the principal, Sinking Fund Installments, and Redemption Price of, and interest on the Bonds of such Series to which such Credit Facility relates, take such action as shall be required to surrender to the issuer thereof for cancellation the Credit Facility that was replaced by such Substitute Credit Facility.

*(Section 6.05)*

#### **Consent Rights of Credit Facility Provider**

If the Credit Facility Provider is not in default in respect of any of its obligations under the Credit Facility, the Credit Facility Provider, and not the actual Holders of the Bonds, shall be deemed to be the Holder of the Bonds payable from such Credit Facility for the purpose of (a) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution as specified in the Resolution, or any other provision of the Resolution which requires the written approval or consent of Holders of such Bonds; provided, however, that the provisions described under this caption shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

*(Section 6.08)*

#### **Redemption at the Election or Direction of the Authority**

In the case of any redemption of Bonds other than as provided under the caption "Redemption Other than at Authority's Election or Direction", the Authority shall give written notice to the Trustee and Credit Facility Provider of its election or direction to redeem, such notice shall include the Series and the principal amounts of the Bonds of each maturity of such Series to be redeemed. The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate. Such notice shall be given to the Trustee and each Credit Facility Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee and each Credit Facility Provider. Unless the notice of redemption required by the Resolution provides that the redemption is subject to the condition that moneys for payment of the Redemption Price are available on the Redemption Date, the notice of redemption required by the Resolution to be given shall not be given with respect to Bonds to be redeemed pursuant to the provisions described under this caption unless prior to the date such notice is to be given, the Authority shall (i) if such redemption shall be effected with proceeds of a draw on a Credit Facility, have provided the Trustee with written evidence from the Credit Facility Provider of its consent thereto, or (ii) have paid or caused to be paid to the Trustee Available Moneys in an amount which, in addition to other Available Moneys available therefor held by the Trustee, are sufficient to redeem, on the

redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds to be so redeemed. Notwithstanding the foregoing, in the event Bonds are to be redeemed at the option of the Authority for reasons relating to eminent domain condemnation, damage or destruction of the Project or Mortgaged Property, such Bonds shall be redeemed at a Redemption Price equal to the principal amount thereof and, to the extent practicable, pro rata among maturities. All other requirements set forth under this heading with respect to notice shall apply to such redemptions described in the previous sentence.

*(Section 4.02)*

#### **Redemption Other Than at Authority's Election or Direction**

Whenever by the terms of the Resolution the Trustee is required or authorized to redeem Bonds from Sinking Fund Installments, the Trustee shall select the Bonds of the Series and maturities to be redeemed. Whenever by the terms of the Resolution the Trustee is required or authorized to redeem Bonds other than through Sinking Fund redemption, the Authority shall select the maturities of the Bonds to be redeemed by notice thereof given to such Trustee at least ten (10) days prior to the date notice of redemption is mailed or such lesser number of days as is acceptable to the Trustee. The Trustee shall select the Bonds to be redeemed in the manner provided in the resolution, give the notice of redemption and pay out of Available Moneys the Redemption Price thereof, together with interest accrued to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Resolution.

If the expiration date of the Credit Facility with respect to a Series of Bonds has not been extended and no Substitute Credit Facility has been delivered to the Trustee on or prior to the Renewal Date, the Bonds of such Series are subject to redemption prior to maturity, as a whole, on any date selected by the Authority which shall be not less than fifteen (15) nor more than forty-five (45) days prior to the expiration date of the Credit Facility, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption.

The Bonds of a particular Series are subject to redemption prior to maturity, as a whole, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, on a date selected by the Authority which shall be not more than twelve (12) days (and in no event later than the Business Day preceding the termination date of the Credit Facility) subsequent to receipt by the Trustee of written notice from the Credit Facility Provider which issued the Credit Facility with respect to such Series of Bonds that an event of default under a Reimbursement Agreement has occurred and is continuing and a direction that such Bonds are to be redeemed, which direction has not been rescinded by such Credit Facility Provider prior to the date notice of redemption is given. Upon receipt of any such notice from the Credit Facility Provider, the Trustee shall immediately provide such notice to the Authority.

The Bonds of a particular Series are subject to redemption prior to maturity, as a whole, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, on a date selected by the Authority which shall be not more than twelve (12) days (and in no event more than twenty (20) days after the last Interest Payment Date) subsequent to receipt by the Trustee of written notice from the Credit Facility Provider which issued the Credit Facility with respect to such Series of Bonds, if the Credit Facility does not provide for automatic reinstatement, that a failure within the reinstatement period has occurred, as referred to in the Credit Facility with respect to a Series of Bonds, and a reinstatement of the Credit Facility to an amount which would cause the Credit Facility to satisfy the requirements set forth in the Resolution or the applicable Series Resolution will not be obtained and a direction that such Bonds are to be redeemed, which direction has not been rescinded by such Credit Facility Provider prior to the date notice of redemption is given. Upon receipt of any such notice from the Credit Facility Provider, the Trustee shall immediately provide such notice to the Authority.

The Authority shall select the date for redemption of Bonds pursuant to this caption so that the Trustee shall have time to prepare notices of redemption.

*(Section 4.03)*

### **Investment of Funds Held by the Trustee**

Money held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and if not inconsistent with the investment guidelines of a Credit Facility Provider or a Rating Service applicable to funds held under the Resolution, any Permitted Investments; provided, however, that unless otherwise provided in a Series Resolution, moneys derived from drawings under a Credit Facility shall be invested only in Government Obligations described in the Resolution and summarized in clause (i) of the definition of Government Obligations in Appendix A which mature within thirty (30) days or when needed and provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral 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 Permitted Collateral shall be free and clear of claims of any other person.

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

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

Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided for in the Resolution and described under this caption. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account 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 and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the Resolution, as described under the first two paragraphs of this caption. 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 and account in the previous month.

No part of the proceeds of any Series 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 7.02)*

### **Additional and Refunding Bonds and Additional Obligations**

Additional Bonds may be issued under the Resolution for the purpose of financing all or a portion of the Costs of other Projects or refunding all or any portion of Outstanding Bonds or one or more Series. All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, a portion of Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds.

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

*(Article II)*

### **Creation of Liens**

Except as provided in the Resolution with respect to Alternative Parity Indebtedness, the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds and the Credit Facility Providers on the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, the Pledged Revenues of the Institution or the funds and accounts established by the Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution; provided further, however, that no such charge or lien shall be created without each Credit Facility Provider's prior written consent.

*(Section 8.06)*

### **Notice as to Event of Default Under Loan Agreement**

The Authority shall notify the Trustee and the Credit Facility Provider in writing that an "Event of Default" under the Loan Agreement, as such term is defined in the Loan Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

*(Section 8.11)*

### **Tax Covenants Relating to the Internal Revenue Code of 1986**

The Authority makes and enters into the following covenants as to each Series of Bonds, other than those Series of Bonds are designated "federally taxable" (as to which the following covenants are not applicable):

The Authority covenants that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, the Authority will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Internal Revenue Code of 1986 (the "Code"), or any predecessor or successor thereto, necessary to maintain such exclusion. In furtherance of this covenant, the Authority agrees to continually comply with the provisions of the Tax Certificate executed by the Authority in connection with the execution and delivery of the Bonds, as amended from time to time.

The Authority covenants that no part of the proceeds of the Bonds shall be used, directly or indirectly, to acquire any "investment property," as defined in section 148 of the Code, which would cause the Bonds to become "arbitrage bonds" within the meaning of section 148 of the Code, as in effect from time to time, or under applicable Treasury regulations promulgated thereunder. In order to assure compliance with the rebate requirement of section 148 of the Code, the Authority further covenants that it will pay or cause to be paid to the United States Treasury Department the amounts necessary to satisfy the requirements of section 148(f) of the Code, and that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any such amount or amounts required to be paid to the United States in a manner consistent with the requirements of section 148 of the Code.



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 contained the Resolution, described under this caption, shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the terms of the Resolution.

*(Section 8.12)*

### **Events of Default**

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

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

(b) Payment of an installment of interest on any Bond of such Series shall not be made by the Authority when the same shall become due and payable; or

(c) The Authority shall default in the due and punctual performance of the covenants contained in the Resolution as described under the caption “Tax Covenants Relating to the Internal Revenue Code of 1986” above and, as a result thereof, the interest on the Bonds of any Series intended to be issued as tax-exempt bonds shall no longer be excludable from gross income under Section 103 of the Code; or

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

(e) An “Event of Default”, as defined in the Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

*(Section 12.02)*

### **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the Resolution as described under the caption “Events of Default” above, other than an event of default specified in clause (c) under the caption “Events of Default” above, then and in every such case the Trustee, with the prior written consent of the Credit Facility Providers, may, and, upon the written request of (i) the Credit Facility Providers or (ii) the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds with the prior written consent of the Credit Facility Providers, shall declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. Interest shall cease to accrue upon such payment, which payment shall occur not more than seven (7) days following such declaration, and the Trustee shall draw upon the Letter of Credit in order to make such payment in accordance with the Resolution. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%)

in principal amount of such Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) Available Moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date) and any unpaid principal payments; (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent incurred in connection with such Bonds; (iii) all other amounts then payable by the Authority under the Resolution or under each Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in any Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution, as described under this caption) shall have been remedied to the satisfaction of the Trustee and (v) any Credit Facility Provider which shall have deposited with the Trustee an amount drawn under the Credit Facility sufficient to pay the principal of and interest on the Outstanding Bonds shall have given its written consent to such annulment. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon. If any Credit Facility Provider directs the annulment, then the annulment shall only be effective if Credit Facilities will be in effect after the annulment in an amount at least equal to a principal amount of and maximum amount of interest to accrue between Interest Payment Dates on Bonds to be Outstanding.

*(Section 12.03)*

#### **Enforcement of Remedies**

Upon the happening and continuance of any event of default specified in the Resolution as described under the caption “Events of Default” above, then and in every such case, the Trustee may proceed, with the written consent of each Credit Facility Provider, and in the case of a happening and continuance of an event of default specified in clause (c) under the caption “Events of Default” above, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Holders under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained in the Resolution or under any Series Resolution or in aid or execution of any power granted therein or in the Resolution or any Series Resolution, 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 Mortgages assigned to the Trustee.

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

*(Section 12.04)*

#### **Modification and Amendment Without Bondholder Consent**

Notwithstanding any other provisions of the Resolution, and subject to the prior written consent of the Credit Facility Providers, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or

Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) 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;
- (c) To provide for additional security for the payment of the Bonds, including, but not limited to, provisions to allow a Credit Facility Provider to confirm its obligations under an existing Credit Facility;
- (d) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (e) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (f) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, securities or funds;
- (g) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolution shall contain a specific reference to the modifications contained in such subsequent Resolutions; or
- (h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders or any Credit Facility Provider in any material respect.

The Authority shall give each Credit Facility Provider written notice of each such Supplemental Resolution adopted pursuant to the provisions of the Resolution described under this caption amending the Resolution.

*(Section 10.01)*

### **Supplemental Resolutions Effective With Consent of Bondholders and Credit Facility Provider**

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 Bondholders in accordance with and subject to the provisions of the Resolution, and subject to the consent of each Credit Facility Provider, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority. The Authority shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

*(Section 10.02)*

### **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 (a) all Credit Facility Providers with Credit Facilities then in effect with respect to the Bonds then Outstanding and the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, all Credit Facility Providers with Credit Facilities then in effect with respect to the Outstanding Bonds of each Series so affected and the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Credit Facility Providers with Credit Facilities then in effect with respect to, or the Holders of, such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the provisions of the Resolution described under this caption; provided, however, that no such amendment, change, modification, alteration or termination will eliminate any requirement of consent from Credit Facility Providers or reduce the percentage of the aggregate principal amount of Outstanding Bonds for consent of the Holders of such Bonds, either of which is a requirement for any such amendment, change, modification, alteration or termination, or will 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 Trustee shall give written notice to each Rating Service then rating the Bonds, of any such amendment, change, modification or termination which materially adversely affects the interests of the Holders of the Outstanding Bonds. Except as otherwise provided in the Resolution, as described under this caption, the Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds, any Credit Facility Provider or the Trustee. Specifically, and without limiting the following, the Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee, any Credit Facility Provider and the Holders of Outstanding Bonds to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Prior to execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with each Credit Facility Provider and the Trustee. Notwithstanding the foregoing, the Authority shall not be precluded from entering into separate Loan Agreements with respect to separate Series of Bonds issued pursuant to the Resolution and any Series Resolution.

For the purposes of the Resolution as described under this caption, a Series of Bonds shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Series of Bonds. The Trustee may in its discretion, and without any liability to the Authority or Bondholders, determine whether or not, in accordance with the foregoing described provisions of the Resolution, Bonds would be adversely affected by any amendment, change, modification, alteration or termination, and any such determination shall be binding and conclusive on the Authority and all Holders of all such Bonds.

For all purposes of the Resolution as described under this caption, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Authority, 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 8.10)*

### **Defeasance**

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

Bonds for the payment or redemption of which Available Moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution as described in the above paragraph under this caption. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution as described in the above paragraph under this caption 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 give 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 shall provide monies which, together with the Available Moneys, if any, deposited with the Trustee at the same time shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event 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, by first class mail, postage prepaid, to the registered owners of the Bonds to be redeemed, at their last known addresses appearing on the registration books and, if directed by the Authority, by publication, as soon as practicable, 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 the Resolution, as described in (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution as described under this caption and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on 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 Resolution as described under this caption. The Trustee shall select the Bonds of like maturity payment of which shall be made in accordance with Resolution as described under this caption in the manner provided in the Resolution. Neither Defeasance Securities nor Available Moneys deposited with the Trustee pursuant to the Resolution as described under this caption 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 and pledged to, the payment of the principal, Sinking Fund Installments, if any, 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, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date hereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such monies so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required by the Resolution as described above under this caption to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created hereby or by the Loan Agreement. The Trustee shall give written notice of such defeasance to each Rating Service then rating the Bonds.

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

*(Section 13.01)*

**FORM OF APPROVING OPINION OF BOND COUNSEL**

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FORM OF APPROVING OPINION OF BOND COUNSEL



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NEW YORK  
SAN FRANCISCO  
SHANGHAI  
SINGAPORE  
SYDNEY  
TOKYO  
WASHINGTON, D.C.

September 25, 2008

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

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the Authority's issuance of its \$14,650,000 principal amount of New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008A (the "Series 2008A Bonds") and its \$340,000 principal amount of New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008B (Federally Taxable) (the "Series 2008B Bonds" and together with the Series 2008A Bonds, the "Series 2008 Bonds").

In such capacity, we have examined the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof, including, but not limited to, the Health Care Financing Consolidation Act and, as incorporated thereby, the New York State Medical Care Facilities Financing Act, being Chapter 392 of the laws of 1973 of the State of New York, as amended (the "Act"), creating the Authority as a body corporate and politic constituting a public benefit corporation of the State of New York. We have also examined a certified record of the proceedings authorizing the execution and delivery of the Loan Agreement (hereinafter mentioned) and showing the adoption on April 23, 2008 of the Dormitory Authority of the State of New York New York State Rehabilitation Association Community Resources Revenue Bond Resolution (the "Bond Resolution"), on May 28, 2008 of the Dormitory Authority of the State of New York New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008A Resolution authorizing the Series 2008A Bonds in an amount not exceeding \$19,000,000 (the "Series 2008A Resolution") and on May 28, 2008 of the Dormitory Authority of the State of New York New York State Rehabilitation Association Community Resources Revenue Bonds, Series 2008B Resolution authorizing the Series 2008B Bonds in an amount not exceeding \$19,000,000 (the "Series 2008B Resolution" and, together with the Bond Resolution and the Series 2008A Resolution, the "Resolutions"), and other such proofs relating to the issuance of the Series 2008 Bonds as we have deemed necessary as a basis for the following opinions.

The Series 2008 Bonds are dated the date of this opinion, mature on July 1 of the years and in the respective principal amounts, bear interest, payable on January 1, 2009 and semi-annually thereafter on July 1 and January 1 in each year, at the respective rates per annum and are subject to redemption prior to maturity in the manner and upon the terms and conditions, all as set forth in the Bond Series Certificate of the Authority with respect to each Series of Series 2008 Bonds and in the Resolutions.

The Series 2008A Bonds are secured by an irrevocable direct pay letter of credit relating to the Series 2008A Bonds issued by HSBC Bank USA, National Association (the "Bank"). The Series 2008B Bonds are secured by an irrevocable direct pay letter of credit relating to the Series 2008B Bonds issued by the Bank. The Series 2008 Bonds are further secured by certain funds and accounts held under the Resolutions, a pledge of revenues received by the Authority under a Loan Agreement, dated as of May 28, 2008 (the "Loan Agreement"), with Staten Island

Aid For Retarded Children, Inc. d/b/a Community Resources (the "Institution") and a mortgage on certain real property of the Institution. The proceeds of the Series 2008 Bonds will be loaned to the Institution to finance the Project, as defined in the Resolutions.

From such examination, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the bonds, including the Series 2008 Bonds, thereunder.

2. The Bond Resolution, the Series 2008A Resolution and the Series 2008B Resolution have been duly and lawfully adopted by the Authority, and the Series 2008A Resolution and the Series 2008B Resolution are authorized and permitted by and have been adopted in accordance with the provisions of the Bond Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2008 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2008 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

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

5. Assuming compliance by the Institution and the Authority with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and except as provided in the following sentence, interest on the Series 2008A Bonds is not includable in the gross income of the owners of the Series 2008A Bonds for purposes of federal income taxation under existing law. Interest on the Series 2008A Bonds will become includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2008A Bonds (a) in the event of a failure by the Institution or the Authority to comply, subsequent to the issuance of the Series 2008A Bonds, with certain requirements of the Code and covenants regarding use, expenditure and investment of proceeds of the Series 2008A Bonds and the timely payment of certain investment earnings to the United States Treasury, and (b) in the event that the \$150 million limitation imposed by Section 145(b) of the Code on certain outstanding tax-exempt non-hospital bonds is exceeded within three years of the date of issue of the Series 2008A Bonds. The Institution and the Authority have covenanted, among other things, not to take any action that would cause interest on the Series 2008A Bonds to be includable in the gross income of the holders thereof for federal income tax purposes. Interest on the Series 2008A Bonds is not a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code. Such interest will, however, be included in the computation of the alternative minimum tax on corporations imposed by the Code. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2008A Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

6. Interest on the Series 2008 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions.

We have examined a fully executed Series 2008A Bond and Series 2008B Bond and, in our opinion, the form of said bonds and their 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 Resolutions, the Loan Agreement and the Series 2008 Bonds against the Authority may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. In rendering the opinion in paragraph 5 above, we have relied upon the representations made by the Institution with respect to certain material facts within the knowledge of the Institution,

which facts and representations we have not independently verified and upon the accompanying opinion of John Zaccone, Esq., Staten Island, New York, counsel for the Institution, that the Institution is exempt from federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code. Our opinion in paragraph 5 above with respect to the exclusion from gross income of the interest on the Series 2008A Bonds for federal income tax purposes may not be relied on to the extent that such exclusion is adversely affected as a result of any action taken upon the advice of, or in reliance on an opinion of counsel other than this firm delivered subsequent to the issuance of the Series 2008A Bonds. 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, the ownership or disposition of or receipt of the interest on, the Series 2008 Bonds.

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.

Respectfully submitted,

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