



\$14,955,000	
DORMITORY AUTHORITY OF THE STATE OF NEW YORK	
THE NOTTINGHAM RETIREMENT COMMUNITY, INC. REVENUE BONDS	
\$14,015,000	\$940,000
Series 2010A (Tax-Exempt)	Series 2010B (Federally Taxable)
Dated: Date of Delivery	Due: July 1 as shown on the inside cover

The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds") and Series 2010B (Federally Taxable) (the "Series 2010B Bonds and collectively, with the Series 2010A Bonds, the "Series 2010 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority") authorized under the Authority's The Nottingham Retirement Community, Inc. Revenue Bond Resolution, adopted February 24, 2010 (the "Resolution"), the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt), adopted by the Authority on February 24, 2010 (the "Series 2010A Resolution"), and the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable), adopted by the Authority on February 24, 2010 (the "Series 2010B Resolution," and, together with the Resolution and the Series 2010A Resolution, the "Resolutions.")

Pursuant to the Resolutions, the Series 2010 Bonds will be secured by a pledge by the Authority of Revenues which shall consist of payments received or receivable by the Authority pursuant to a Loan Agreement (the "Loan Agreement"), dated as of February 24, 2010, between The Nottingham Retirement Community, Inc. (the "Institution") and the Authority and from a mortgage insurance policy which was issued simultaneously with the delivery of the Refunded Bonds (as defined herein) by the State of New York Mortgage Agency ("SONYMA"), which policy shall be amended as of the date of the issuance of the Series 2010 Bonds (the "SONYMA Mortgage Insurance Policy"). The Series 2010 Bonds will be further secured by all funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund). The Series 2010A Bonds will be additionally secured by the Series 2010A Debt Service Reserve Account and the Series 2010B Bonds will be additionally secured by the Series 2010B Debt Service Reserve Account, each of which will be funded in an amount equal to the respective Debt Service Reserve Fund Requirement.

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee (as defined herein), amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2010 Bonds, as such payments become due. The obligations of the Institution to make such payments will be secured by a pledge of Gross Receipts (as defined herein) of the Institution and a mortgage on the mortgaged property.

The Series 2010 Bonds are not a debt of the State of New York or SONYMA nor will the State or SONYMA be liable thereon. The Authority has no taxing power.

Description: The Series 2010 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2011 and each July 1 and January 1 thereafter) on the Series 2010 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2010 Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, the Trustee and Paying Agent, or at the option of the holder of at least \$1,000,000 principal amount of Series 2010 Bonds, by wire transfer, as more fully described herein.

The Series 2010 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 2010 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal and Redemption Price of and interest on such Series 2010 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 4 - THE SERIES 2010 BONDS - Book-Entry Only System" herein.

Redemption: *The Series 2010 Bonds are subject to redemption prior to maturity as more fully described herein.*

Tax Matters: In the opinion of Winston & Strawn LLP, Bond Counsel to the Authority, under existing statutes, regulations, rulings, and court decisions, interest on the Series 2010A Bonds is not includable in gross income for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations. Interest on the Series 2010A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations and such interest will not be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. In the further opinion of Bond Counsel, interest on the Series 2010B Bonds is included in gross income for federal income tax purposes. Additionally, in the opinion of Bond Counsel to the Authority, interest on the Series 2010 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers. See "PART 12 - TAX MATTERS" herein.

Bank Qualified Bonds: The Institution has designated the Series 2010 Bonds as "qualified tax exempt obligations." See "PART 17--BANK QUALIFIED BONDS" herein.

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2010 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 Winston & Strawn 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, Byrne, Costello, and Pickard, P.C., Syracuse, New York and for the Underwriters by their counsel, Hodgson Russ LLP, Albany, New York. The Authority expects to deliver the Series 2010 Bonds in definitive form in New York, New York, on or about May 26, 2010.

\$14,955,000
THE NOTTINGHAM RETIREMENT COMMUNITY, INC.
REVENUE BONDS,

TAX-EXEMPT SERIES 2010A

\$14,015,000 Serial Bonds

<u>Due July 1</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>	<u>Due July 1</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2013	\$820,000	4.00%	1.840%	649905B54	2019	\$1,055,000	5.00%	3.820%	649905C38
2014	850,000	4.00	2.250	649905B62	2020	1,105,000	5.00	3.970	649905C46
2015	885,000	4.00	2.640	649905B70	2021	1,160,000	5.00	4.050	649905C53
2016	920,000	4.00	3.100	649905B88	2022	1,220,000	5.00	4.130	649905C61
2017	955,000	5.00	3.450	649905B96	2023	1,280,000	5.00	4.210	649905C79
2018	1,005,000	5.00	3.640	649905C20	2024	1,345,000	5.00	4.280	649905C87
					2025	1,415,000	5.00	4.360	649905C95

FEDERALLY TAXABLE SERIES 2010B

\$940,000

<u>Due July 1</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2012	\$940,000	1.850%	1.850%	649905D29

(1) CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010 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 2010 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010 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 2010 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution, SONYMA or the Underwriters to give any information or to make any representations with respect to the Series 2010 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution, SONYMA or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Institution has reviewed the parts of this Official Statement describing the Institution, the Refunding Plan and the Estimated Sources and Uses of Funds. The Institution shall certify as of the dates of sale and delivery of the Series 2010 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to information concerning SONYMA contained under the captions “State of New York Mortgage Agency” and “Source of Payment and Security for the Series 2010 Bonds - SONYMA Mortgage Insurance Policy” herein, none of the information in this Official Statement has been supplied or verified by SONYMA, and SONYMA makes no representation or warranty, express or implied, as to the (i) the accuracy or completeness of such information; (ii) the validity of the Series 2010 Bonds; or (iii) the tax status of the interest on the Series 2010 Bonds.

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

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

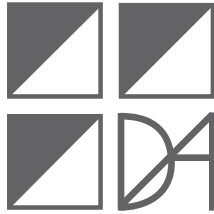
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, SONYMA or the Institution have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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DORMITORY AUTHORITY – STATE OF NEW YORK
PAUL T. WILLIAMS, JR. – PRESIDENT

515 BROADWAY, ALBANY, NY 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$14,955,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
THE NOTTINGHAM RETIREMENT COMMUNITY, INC. REVENUE BONDS,
Consisting of

\$14,015,000	\$940,000
Series 2010A (Tax-Exempt)	Series 2010B (Federally Taxable)

PART 1- INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the Institution in connection with the offering by the Authority of (i) \$14,015,000 principal amount of its The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt) Bonds (the “Series 2010A Bonds”) and (ii) \$940,000 principal amount of its The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable) (the “Series 2010B Bonds” and together with the Series 2010A Bonds, the “Series 2010 Bonds”).

The following is a brief description of certain information concerning the Series 2010 Bonds, the Authority, the Institution, SONYMA and the SONYMA Mortgage Insurance Policy. A more complete description of such information and additional information that may affect decisions to invest in the Series 2010 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

Proceeds of the Series 2010A Bonds, along with other available amounts, are to be used to make a loan to the Institution to (i) refund all of the outstanding Dormitory Authority of the State of New York The Nottingham Retirement Community, Inc. Revenue Bonds, Series 1995 (the “Refunded Bonds”), (ii) fund the Series 2010A Debt Service Reserve Account in an amount equal to the applicable Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance of the Series 2010 Bonds. Proceeds of the Series 2010B Bonds, along with other available amounts, are to be used to make a loan to the Institution to (i) finance a termination payment with respect to an interest rate exchange agreement dated February 9, 2005 that was entered into by the Institution and Morgan Stanley Capital Services, Inc., (ii) fund the Series 2010B Debt Service Reserve Account in an amount equal to the applicable Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance of the Series 2010 Bonds. See “PART 5 - ESTIMATED SOURCES AND USES OF FUNDS” and “PART 8 - THE REFUNDING PLAN.”

The Refunded Bonds were issued by the Authority to fund a project consisting of the acquisition and renovation of an existing 220-unit mixed use facility for the aged, comprising a 186-unit independent living facility and a 34-unit enriched living facility (including eight cottages) and construction of a 40-bed nursing home with 14 adjoining enriched living units (collectively the “Facilities”).

Authorization of Issuance

The Series 2010 Bonds will be issued pursuant to the Act and the Resolutions which authorize the issuance of the Series 2010 Bonds in an amount not to exceed \$19,000,000. The Resolutions authorize the issuance of additional bonds for the benefit of the Institution, provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS.”

The Series 2010 Bonds

The Series 2010 Bonds will be dated their date of delivery, and will bear interest from such date (payable January 1, 2011 and each July 1 and January 1 thereafter) at the rates set forth on the cover page of this Official Statement. See “PART 4 - THE SERIES 2010 BONDS - Description of the Series 2010 Bonds.”

Payment of and Security for the Series 2010 Bonds

The Series 2010 Bonds will be special obligations of the Authority payable solely from the Revenues. The Series 2010 Bonds will be secured by a pledge by the Authority of the Revenues, which consist of payments received or receivable by the Authority pursuant to the Loan Agreement and the SONYMA Mortgage Insurance Policy. The Loan Agreement is a general obligation of the Institution. To secure the Institution’s obligation under the Loan Agreement, the Institution has pledged to the Authority all its rights, title and interests in the Gross Receipts (including the proceeds of the Gross Receipts). In 1995, in connection with the issuance of the Refunded Bonds, the Institution executed and delivered a mortgage (the “1995 Mortgage”) on the Mortgaged Property to secure the Institution’s obligations under the Loan Agreement between the Authority and the Institution dated as of October 18, 1995 in connection with the Refunded Bonds (the “1995 Loan Agreement”) and its obligations under a mortgage note in the principal amount of \$19,995,000 (the “1995 Note”). Simultaneous with the delivery of the Series 2010 Bonds, the Refunded Bonds will be defeased. The 1995 Note will be amended by an amendment dated such date to reflect certain terms of the Series 2010 Bonds (as so amended, the “Note”). The 1995 Mortgage was insured by SONYMA under the SONYMA Mortgage Insurance Policy and the 1995 Mortgage will be amended as hereinafter described, to secure the Institution’s obligation under the Loan Agreement and the Note. The Series 2010 Bonds are additionally secured by all funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund). The Resolutions also establish a Series 2010A Debt Service Reserve Account and a Series 2010B Debt Service Reserve Account, each of which shall be funded upon the delivery of the Series 2010 Bonds at the respective Debt Service Reserve Fund Requirement. With the prior approval of the Authority and SONYMA, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Gross Receipts and Mortgaged Property securing the Series 2010 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS.”

The Series 2010 Bonds will not be a debt of the State or SONYMA nor will the State or SONYMA be liable thereon. The Authority has no taxing power.

The Mortgage

The Institution has previously executed and delivered the 1995 Mortgage on the Mortgaged Property to secure its obligations under the 1995 Loan Agreement. Upon the refunding of the Refunded Bonds, the 1995 Mortgage will be amended by a mortgage modification agreement (the “Mortgage Modification Agreement”) executed by the Institution and the Authority (the 1995 Mortgage as so amended, the “Mortgage”). The Mortgage will secure the payments required to be made by the Institution pursuant to the Loan Agreement and the Note. Neither the Mortgage nor any security interests created thereunder have been assigned to the Trustee to secure the Series 2010 Bonds; however, the Authority may, but has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolutions, assign the Mortgage and such security interests to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS - The Mortgage.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions and to purchase and make certain loans in connection with its student loan program. See “PART 9 - THE AUTHORITY.”

The Institution

The Nottingham Retirement Community, Inc. is a not-for-profit corporation exempt from federal income taxation as an organization as described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Institution was established on September 3, 1993 to operate a residential community that offers a comprehensive program of service and support for retired adults in Central New York. See “PART 6 - THE INSTITUTION.”

The Series 2010B Project

A portion of the proceeds of the Series 2010B Bonds, along with other available amounts of the Institution, will be used to finance the costs of a termination payment with respect to an interest rate exchange agreement dated February 9, 2005 that was entered into by the Institution and Morgan Stanley Capital Services, Inc. (the “2010 Project”). See “PART 7 – THE 2010 PROJECT.”

The Refunding Plan

A portion of the proceeds of the Series 2010A Bonds, along with other available amounts of the Institution, will be used to defease and redeem the Refunded Bonds. See “PART 8 – THE REFUNDING PLAN.”

PART 2- SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010 BONDS

Set forth below is a narrative description of certain statutory and contractual provisions relating to the source of payment of and security for the Series 2010 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the SONYMA Act, the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy. Copies of the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2010 Bonds

The Series 2010 Bonds will be special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2010 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2010 Bonds and to maintain both the Series 2010A Debt Service Reserve Account and the Series 2010B Debt Service Reserve Account at the respective Debt Service Reserve Fund Requirement. The Revenues also include all payments received or receivable by the Authority pursuant to the SONYMA Mortgage Insurance Policy.

Payments under the Loan Agreement are to be made monthly by the tenth day of each month. Each payment is to be equal to a proportionate share of the interest coming due on the next succeeding interest payment date and of the principal coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least 45 days prior to a redemption date of Series 2010 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See “PART 4 - THE SERIES 2010 BONDS - Redemption Provisions.”

The Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee for the benefit of the Bondholders. The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and Redemption Price of and interest on the Series 2010 Bonds. The payments to be made by the Institution to restore the Series 2010A Debt Service Reserve Account or the Series 2010B Debt Service Reserve Account to their respective requirements are to be made directly to the Trustee for deposit therein.

Security for the Series 2010 Bonds

The Series 2010 Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of Series 2010 Bonds (until disbursed as provided in the Resolutions), all funds and accounts authorized and established under the Resolutions (with the exception of the Arbitrage Rebate Fund), including the Series 2010A Debt Service Reserve Account, which will provide additional security for the Series 2010A Bonds, the Series 2010B Debt Service Reserve Account, which will provide additional security for the Series 2010B Bonds, and the Authority's security interest in the Gross Receipts.

Gross Receipts

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

Debt Service Reserve Fund

The Resolutions establish the Series 2010A Debt Service Reserve Account and the Series 2010B Debt Service Reserve Account within the Debt Service Reserve Fund.

Each such Debt Service Reserve Account shall be maintained at an amount equal to the lesser of (i) one-third of the greatest amount required in the then current or any future calendar year to pay the sum of interest on the respective series of Bonds payable during such calendar year (excluding the interest accrued on such series of Bonds prior to July 1 of the next preceding year), and the principal and Sinking Fund Installments of such respective series of Bonds payable on or prior to July 1 of such calendar year, or (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of the respective series of Bonds, or (iii) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on the respective series of Bonds; except as otherwise provided in a Series Resolution or a Bond Series Certificate. The Debt Service Reserve Fund Requirement for the Series 2010A Bonds will be funded upon issuance of the Series 2010A Bonds from the proceeds of the Series 2010A Bonds. The Debt Service Reserve Fund Requirement for the Series 2010B Bonds will be funded upon issuance of the Series 2010B Bonds from the proceeds of the Series 2010B Bonds.

Moneys in the applicable Debt Service Reserve Account are to be withdrawn and deposited in the applicable Debt Service Account of the Debt Service Fund whenever the amount in such Debt Service Accounts on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal of, redemption price of, and interest on the applicable series of Series 2010 Bonds payable on such interest payment date. The General Resolution requires that the Institution restore each of the Debt Service Reserve Accounts to their respective requirements by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Accounts in excess of their respective

requirements shall be withdrawn and applied in accordance with the Resolutions. See “Appendix D - Summary of Certain Provisions of the Resolution.”

The Mortgage

The Institution has previously executed and delivered the 1995 Note and the 1995 Mortgage on the Mortgaged Property to secure its obligations under the loan of the proceeds from the Refunded Bonds. In connection with the refunding of the Refunded Bonds and the issuance of the Series 2010 Bonds, the Institution will amend the 1995 Mortgage by executing and delivering the Mortgage Modification Agreement to the Authority. Upon the execution of the Mortgage Modification Agreement, the Mortgage will secure the payments required to be made by the Institution pursuant to the Note and the Loan Agreement. Neither the Mortgage nor any security interests created thereunder, have been assigned to the Trustee to secure the Series 2010 Bonds; however, the Authority may, though has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolution, assign the Mortgage and such security interests to the Trustee. In addition, upon a lump sum payment by SONYMA, the Authority or the Trustee shall assign the Mortgage to SONYMA or its designee and the proceeds of such lump sum payment shall be applied to the redemption of the Series 2010 Bonds. In connection with the 1995 Project, the Institution granted two mortgages on portions of the Mortgaged Property, which mortgages were subordinate to the 1995 Mortgage (the “Subordinate Mortgages”). One of such Subordinate Mortgages remains outstanding. The Institution, with the prior approval of the Authority and SONYMA, may incur debt secured on a parity with respect to the security interest in the Mortgaged Property securing the Series 2010 Bonds. See “PART 4 - THE SERIES 2010 BONDS - Redemption Provisions - *Special Mandatory Redemption.*”

SONYMA Mortgage Insurance Policy

Simultaneously with the delivery of the Refunded Bonds, SONYMA issued a mortgage insurance policy, which policy will be amended as of the date of the issuance of the Series 2010 Bonds. The Institution’s payment obligations under the Note and the Loan Agreement (the “Series 2010 Mortgage Loan”) will be insured by the SONYMA Mortgage Insurance Policy, as amended, upon compliance with certain conditions.

Pursuant to the SONYMA Mortgage Insurance Policy with respect to the Series 2010 Mortgage Loan, following certain defaults (each, a “Covered Default”) under the Mortgage securing the Institution’s obligations under the Series 2010 Mortgage Loan, the Authority shall file a claim for loss with SONYMA. Covered Defaults include a failure by the Institution to make all or part of any required payment under the Note and the Loan Agreement, and the avoidance as a preferential transfer under any bankruptcy law of any payment paid under the Note and the Loan Agreement. Upon the Authority filing a claim for loss, SONYMA has the option to either (i) make periodic payments of its obligation under the SONYMA Mortgage Insurance Policy in amounts equal to the amounts due with respect to the Series 2010 Mortgage Loan, or (ii) make a lump sum payment under the SONYMA Mortgage Insurance Policy in an amount equal to the sum of the principal outstanding and interest accrued on the Series 2010 Mortgage Loan from the date of such claim for loss to the date thirty (30) days following the date of payment in respect of such claim for loss. Periodic payments are to be made monthly. In addition, if SONYMA has chosen initially to make periodic payments it may nevertheless exercise its option to make a lump sum payment of its then outstanding obligation under the SONYMA Mortgage Insurance Policy at any time while SONYMA is making periodic payments.

Upon a lump sum payment by SONYMA, the Authority shall assign the Mortgage to SONYMA or its designee. Pursuant to the Resolutions, a lump sum payment received from SONYMA is to be applied to the redemption of the Series 2010 Bonds. See “PART 4 - THE SERIES 2010 BONDS - Redemption Provisions - *Special Mandatory Redemption.*”

For specific information on the coverage provided by the SONYMA Mortgage Insurance Policy, reference should be made to the SONYMA Mortgage Insurance Policy which is available at the principal office of the Authority. SONYMA makes no representation as to the contents of this Official Statement (other than this section and “PART 3 – STATE OF NEW YORK MORTGAGE AGENCY”), the suitability of the Series 2010 Bonds for

any investor or compliance with any securities or tax laws and regulations which may relate to the issuance of the Series 2010 Bonds.

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

The SONYMA Mortgage Insurance Policy may terminate pursuant to its terms upon the occurrence of certain events including the modification of the Mortgage without the prior written consent of SONYMA or the disposal of property or collateral securing the Series 2010 Mortgage Loan prior to the final settlement of a claim for loss.

Events of Default and Acceleration

The following are events of default under the Resolution: (i) a default in the payment of the principal or Redemption Price of or interest on Series 2010 Bonds; (ii) the Authority shall take any action, or fail to take any action, which would cause the Series 2010 Bonds to be "arbitrage bonds" within the meaning of the Code, or fail to comply with the provisions of the Code and as a result thereof, interest on the Series 2010 Bonds becomes includable in gross income for federal income tax purposes; or (iii) a default by the Authority in the due and punctual performance of any covenant, condition, agreement or provision contained in the Series 2010 Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Owners of not less than 25% in principal amount of Outstanding Bonds).

The Resolution provides that, if an event of default (other than as described in clause (ii) or (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all Outstanding Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Owners of not less than 25% in principal amount of Series 2010 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Owners of the Series 2010 Bonds within ninety (90) days after knowledge of the occurrence, unless such event of default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal or Redemption Price of, or interest on, any of the Series 2010 Bonds, the Trustee shall be protected in withholding such notice thereof to the Owners of Series 2010 Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Owners of the Series 2010 Bonds.

General

The Series 2010 Bonds are not a debt of the State or SONYMA, nor will the State or SONYMA be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal of or interest on its bonds or notes. See "PART 9 - THE AUTHORITY."

Additional Bonds

In addition to the Series 2010 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects for the benefit of the Institution and for other specified purposes provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. See "Appendix D - Summary of Certain Provisions of the Resolution."

PART 3- STATE OF NEW YORK MORTGAGE AGENCY

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

General. SONYMA was established pursuant to the State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the “SONYMA Act”). The directors of SONYMA consist of the State Comptroller or his appointee, the Director of the Budget of the State of New York, the Commissioner of the New York State Division of Housing and Community Renewal, one director appointed by the Temporary President of the State Senate, one director appointed by the Speaker of the State Assembly, and four directors appointed by the Governor with the advice and consent of the State Senate. SONYMA employs a staff of approximately 113 employees, including 10 persons who staff the legal, underwriting and risk evaluation, administrative and servicing units of the SONYMA Mortgage Insurance Fund. The issuance of commitments to insure loans of greater than \$2,000,000 requires the approval of SONYMA’s Mortgage Insurance Committee and the issuance of commitments to insure loans of greater than \$7,000,000 also requires the approval of the directors of SONYMA.

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

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

The SONYMA Act establishes within the SONYMA Mortgage Insurance Fund a project pool insurance account with respect to insurance on properties other than one to four dwelling units (the “Project Pool Insurance Account”), a special account (the “Special Account”), a single family pool insurance account with respect to insurance related to one to four dwelling units (the “Single Family Pool Insurance Account”), and a development corporation credit support account with respect to providing credit support for the bonds or ancillary bond facilities of the CCDC (the “Development Corporation Credit Support Account”). The Development Corporation Credit Support Account is a source or potential source of payment of the sum of the respective amounts (or percentages) of

required or permissive funding by the CCDC of each reserve and financial support fund established by the CCDC for its bonds and, to the extent not otherwise provided in respect of the support of bonds, for its ancillary bond facilities for which SONYMA has determined that the Development Corporation Credit Support Account is or will be a source or potential source of funding.

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

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

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

Mortgage recording taxes have been collected in the State for more than 75 years. SONYMA has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State

legislature is necessary for the SONYMA Mortgage Insurance Fund to continue to receive such monies. However, the State is not bound or obligated to impose, or to impose at current levels, the mortgage recording taxes described above or to direct the proceeds to SONYMA as currently provided. The SONYMA Mortgage Insurance Fund's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission is given general supervisory power over such officers. Tax receipts paid to the Mortgage Insurance Fund in calendar years 2005, 2006, 2007, 2008, and 2009 were approximately \$168 million, \$184 million, \$210 million, \$140 million and \$73 million respectively.

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

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

As of March 31, 2010, the amount of reserves (money or cash equivalents) on deposit in the Project Pool Insurance Account was \$604,361,825 and the Mortgage Insurance Fund Requirement related to such Account was

\$1,172,991,557. Amounts on deposit in the Project Pool Insurance Account maybe transferred to other accounts or withdrawn as described in the second preceding paragraph.

As of March 31, 2010, the SONYMA Mortgage Insurance Fund's total liability against project mortgage insurance commitments and policies in force was \$2,542,077,853 and the SONYMA Mortgage Insurance Fund had a total loan amount on outstanding project mortgage insurance commitments and policies in force of \$2,703,946,943.

As of March 31, 2010, the Project Pool Insurance Account had paid 48 project mortgage insurance claims for loss in the aggregate amount of \$112,764,173. As of March 31, 2010, the SONYMA Mortgage Insurance Fund had 13 project mortgage insurance policies in force on which claims for loss had been submitted. SONYMA estimates that its total liability thereon is \$53,245,470.

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

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

Copies of SONYMA's audited financial statements for the fiscal year ended October 31, 2009 are available from the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022, telephone (212) 688-4000.

SONYMA makes no representation as to the contents of this Official Statement (other than this section), the suitability of the Bonds for any investor, the feasibility of any Project or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the Bonds.

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

PART 4- THE SERIES 2010 BONDS

Description of the Series 2010 Bonds

The Series 2010 Bonds will be issued pursuant to the Resolutions, will be dated their date of delivery, and will bear interest from such date (payable January 1, 2011 and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the cover page of this Official Statement.

The Series 2010 Bonds will be issued as fully registered bonds. The Series 2010 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2010 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 2010 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2010 Bonds, the Series 2010 Bonds will be exchangeable for other fully registered Series 2010 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein.

Interest on the Series 2010 Bonds will be payable by check mailed to the registered owners thereof. The principal or Redemption Price of the Series 2010 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of Manufacturers and Traders Trust Company, the Trustee and Paying Agent, or at the option of the registered owner of at least \$1,000,000 on principal amount of Series 2010 Bonds, by wire transfer to a designated wire address. As long as the Series 2010 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 2010 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption Provisions

The Series 2010 Bonds are subject to optional and mandatory redemption as described below.

Optional Redemption

The Series 2010 Bonds maturing on or before July 1, 2020 are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity, on or after July 1, 2020, in any order (a) from amounts in the Debt Service Fund in excess of moneys required to pay interest and principal and in excess of moneys set aside for special redemption, as a whole at any time or in part on any interest payment date, or (b) at the option of the Authority, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption

The Series 2010 Bonds are also subject to extraordinary mandatory redemption, in whole or in part at any time prior to maturity, at 100% of the principal amount to be redeemed plus interest accrued to the redemption date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Facilities.

Special Mandatory Redemption

The Series 2010 Bonds are subject to special mandatory redemption in whole or in part at any time prior to maturity at 100% of the principal amount to be redeemed plus interest accrued to the redemption date from the proceeds of a lump sum payment by SONYMA under the SONYMA Mortgage Insurance Policy received by the Authority in the event of a Covered Default by the Institution under the Mortgage.

Selection of Bonds to be Redeemed

In the case of a redemption of Series 2010 Bonds described above under the heading “Optional Redemption,” the Authority will select the maturities of the Series 2010 Bonds to be redeemed. In the case of a redemption of Series 2010 Bonds described above under the headings “Extraordinary Mandatory Redemption” and “Special Mandatory Redemption,” Series 2010 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2010 Bonds to be redeemed. If less than all of the Series 2010 Bonds of a maturity are to be redeemed (pursuant to an optional, extraordinary or special redemption), the Series 2010 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2010 Bonds in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the registered owners of any Series 2010 Bonds which are to be redeemed, at their last known addresses appearing on the registration books, except that, with respect to any special mandatory redemption, such notice shall be given at least ten (10) days prior to the redemption date. The failure of any owner

of a Series 2010 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2010 Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper within the applicable time period specified above for the mailing of notice, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2010 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2010 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2010 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2010 Bonds will no longer be considered to be Outstanding under the Resolutions.

For a more complete description of the redemption and other provisions relating to the Series 2010 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Book-Entry Only System

DTC, New York, NY, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic, computerized, book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s Ratings Services’ highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants (collectively, “Participants”) are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 Bond (“Beneficial Owner”) is in turn to be recorded on the 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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 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 definitive Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The 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 Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution and other related documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2010 Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive Series 2010 Bonds 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, definitive Series 2010 Bonds will also be printed and delivered.

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, the Trustee and the Hospital take no responsibility for the accuracy thereof.

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

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, owners or registered owners of the Series 2010 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 2010 Bonds.

Principal and Interest Requirements for the Series 2010 Bonds

The following table sets forth the amount required to be paid during each twelve-month period ending June 30 of the years shown for the payment of interest on the Series 2010 Bonds payable on January 1 of such year and of principal and interest on the Series 2010 Bonds payable on July 1 of such year and the aggregate payments to be made during each such period with respect to the Series 2010 Bonds.

12-Month Period Ending <u>July 1</u>	<u>Principal Installments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>
2011		\$749,830.69	\$749,830.69
2012	\$940,000.00	683,390.00	1,623,390.00
2013	820,000.00	666,000.00	1,486,000.00
2014	850,000.00	633,200.00	1,483,200.00
2015	885,000.00	599,200.00	1,484,200.00
2016	920,000.00	563,800.00	1,483,800.00
2017	955,000.00	527,000.00	1,482,000.00
2018	1,005,000.00	479,250.00	1,484,250.00
2019	1,055,000.00	429,000.00	1,484,000.00
2020	1,105,000.00	376,250.00	1,481,250.00
2021	1,160,000.00	321,000.00	1,481,000.00
2022	1,220,000.00	263,000.00	1,483,000.00
2023	1,280,000.00	202,000.00	1,482,000.00
2024	1,345,000.00	138,000.00	1,483,000.00
2025	1,415,000.00	70,750.00	1,485,750.00

PART 5- ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds, exclusive of accrued interest, are as follows:

Series 2010A Bonds

Sources of Funds	
Principal Amount of the Series 2010A Bonds.....	<u>\$ 14,015,000</u>
Transfers from Refunded Bonds	<u>\$ 2,689,247</u>
Equity Contribution.....	<u>\$ 206,275</u>
Net Premium Paid on Series 2010A Bonds.....	<u>\$ 1,001,640</u>
 Total Sources	 <u>\$ 17,912,162</u>
 Uses of Funds	
Refunding Escrow	<u>\$ 16,657,479</u>
Debt Service Reserve Account.....	<u>\$ 495,333</u>
Costs of Issuance	<u>\$ 447,410</u>
Underwriter's Discount	<u>\$ 146,082</u>
SONYMA MIP.....	<u>\$ 70,075</u>
NYS Bond Issuance Fee.....	<u>\$ 93,552</u>
Debt Service Account.....	<u>\$ 2,231</u>
 Total Uses	 <u>\$ 17,912,162</u>

Series 2010B Bonds

Sources of Funds	
Principal Amount of the Series 2010B Bonds.....	<u>\$ 940,000</u>
Equity Contribution.....	<u>\$ 0</u>
Net Premium Paid on Series 2010B Bonds.....	<u>\$ 0</u>
 Total Sources.....	 <u>\$ 940,000</u>
 Uses of Funds	
Debt Service Reserve Account.....	<u>\$ 94,000</u>
Swap Termination	<u>\$ 800,032</u>
Costs of Issuance	<u>\$ 30,855</u>
Underwriter's Discount	<u>\$ 8,837</u>
SONYMA MIP.....	<u>\$ 4,700</u>
NYS Bond Issuance Fee.....	<u>\$ 1,576</u>
 Total Uses.....	 <u>\$ 940,000</u>

PART 6- THE INSTITUTION

Introduction

The Institution is a nonprofit corporation recognized under Section 501(c)(3) of the Internal Revenue Code and organized and existing under the Not-for-Profit Corporation Law of the State of New York. The Institution is an affiliate of “Loretto” which is an integrated network of charitable organizations which share a common mission of improving the quality of life for older adults in Central New York. The Institution is a single purpose entity and is financially independent of all other Loretto affiliated organizations.

The Facility

The Nottingham Retirement Community (the “Facility”) is located at 1301 Nottingham Road in Jamesville, Onondaga County, New York. The Project was originally developed in 1986 by a proprietary development company and was managed by Loretto Adult Community, Inc. It was acquired by the Institution (which holds fee title to the Project) in 1995 with the proceeds of the Refunded Bonds and now consists of a community building, 186 independent units for elderly tenants (the “Independent Living Units”), 48 enriched housing units (the “Enriched Housing Units”) and a 40-bed residential health care facility (the “Nursing Home”). The community building contains a lobby, three private offices with a secretarial area and a director’s office, cocktail lounge, mail room, conference room, congregate dining room, beauty parlor, library, fitness room, activities room, small lap pool and two locker rooms.

Management and related services for the Independent Living Units and the Enriched Housing Units are provided through a management contract between the Institution and Loretto Adult Community, Inc., which in turn provides management services through Loretto Management Corporation. Loretto Adult Community, Inc., and Loretto Management Corporation are nonprofit corporations recognized under Section 501(c)(3) of the Internal Revenue Code.

Loretto

Loretto was established in 1926 as a home for the aged under the auspices of the Roman Catholic Diocese of Syracuse, New York. It was restructured in 1973 as community-based nonprofit organization and it has since grown to be the largest provider of eldercare services in Central New York. Loretto now provides 22 different programs at 17 sites located throughout Syracuse and the greater Central New York community. Loretto serves well over 4,000 older adults each year and has approximately 2,300 full and part time employees.

Corporate Structure

Like many other New York not-for-profit corporations, the Institution is a “membership” corporation. The sole member of the Institution is Loretto Rest, Inc. (the “Corporate Member”) which is also a New York not-for-profit corporation recognized under Section 501(c)(3) of the Internal Revenue Code. The Corporate Member has the reserved power to elect the Board of Trustees of the Institution and thus acts as the “parent” of the Institution, as well as Nottingham Residential Health Care Facility, which is the nonprofit corporation that leases and operates the project’s 40-bed residential health care facility, and Loretto Adult Community, Inc., which is the nonprofit corporation that holds the operating license for the project’s 48 enriched housing apartment units. This “membership structure” provides the Corporate Member with the means to ensure that all affiliates of Loretto always stay true to Loretto’s charitable purpose of providing healthcare, housing and programs for needy elderly, disabled and other underprivileged persons.

Governance

The Corporate Member, the Institution and most other Loretto organizations have a common Board of Trustees which is ultimately responsible for Loretto and the Institution's overall governance and direction. The Board of Trustees is comprised of the following community leaders from across Central New York, each of whom serves strictly on a volunteer basis:

- Joyce Carmen - Past President and current Director of ARC of Onondaga and past President of Jamesville Dewitt Central School District Board of Education.
- Chung-Taik Chung, MD, FACR, FACRO - Chairman of the Department of Radiation Oncology of SUNY Upstate Medical University.
- Matt Skinner - Director of Sales, Sedgwick Interiors.
- Vicki O'Neill - President and General Manager of ACMG Federal Credit Union.
- Jack Burke - CPA and Audit Partner at Dermody, Burke & Brown, CPAs.
- Helene Wallace - Research Study Coordinator at Syracuse Preventative Cardiology.
- Mary Anne Winfield - President of Winfield, Ink., a marketing and public relations firm.
- Roland Anderson - President of Atlas Services.
- Hadwen Fuller - President of Ascent Technologies Group, Inc., an aviation petroleum and chemicals company.
- D. Jeffrey Gosch - Attorney in private practice. Founding President of the Updowntowners of Syracuse.
- Kimberly Townsend - Senior Counsel for Welch Allyn, Inc., the leading manufacturer of medical devices.
- Ellen M. O'Connor - CFO at Dairyalea Cooperative, Inc.
- Amelia Greiner - Executive Director and founder of Home Aides of Central New York, Inc., and Executive Vice-President at Sutton Real Estate Co., Inc.
- Stuart Grossman - Agent with New York Life Insurance.
- John Hession - President of Vantage Equipment, LLC and Board Chair of the Institution.
- F. Phillip Kessler, Jr. - Managing Partner of New England Financial.
- James Mackin - Attorney, Chairman and Partner of the firm of Bond, Schoeneck & King, LLC, and Secretary of the Institution.
- James Muldoon - Patent attorney at the firm of Wall Marjama & Bilinski LLP.
- Susan Clancy-Magley - Assistant Development Director, Sisters of St. Francis of the Neumann Communities.

Management

The Board of Trustees of the Institution delegates authority for the overall daily management of the Institution. The following staff members are employed by Loretto Management Corporation and serve as the principal management team for the Institution, as well as Loretto Adult Community, Inc., and Nottingham Residential Health Care Facility:

- Michael J. Sullivan, President and CEO -- Mr. Sullivan serves as the President and Chief Executive Officer of Loretto. He has served as President of Loretto since 2007 and previously served as the Chief Operating Officer and the Chief Financial Officer for all of the Loretto corporations. He joined Loretto in 1995 after having served as Commissioner of Finance and Chief Fiscal Officer of Onondaga County, New York, from 1992-1995, and as Director of Management and Budget from 1988-1992. Mr. Sullivan received his B.A. from LeMoyne College, a Masters of Educational Administration from Syracuse University, and his M.B.A. from Syracuse University.
- Stefano Volza, Senior Vice President -- Mr. Volza is responsible for marketing, sales, development and special project management. He has been employed by Loretto since 1975 and has authored five assisted living training and administrative manuals, including two developed for the Commonwealth of Massachusetts. He is a recognized authority in the management of assisted living and retirement housing. Mr. Volza received his B.A. from Northwestern Oklahoma State University and a Masters of Professional Studies/Health Services Administration from the New School for Social Research.
- John Murray, Chief Financial Officer -- Mr. Murray serves as the Chief Financial Officer for all of the Loretto corporations. In that position, he exercises oversight of all financial operations including billing, purchasing, capital financing, accounting, budgeting, investments and cash management. Mr. Murray is a certified public accountant and joined Loretto in 1999. He was previously employed by Ernst & Young LLP as a Senior Manager. Mr. Murray received his B.S. in Accounting from Utica College of Syracuse University.

Independent Living Units

The Independent Living Units consist of 122 one-bedroom units, 56 two-bedroom units and 8 two-bedroom cottages. The Institution's operating revenues for the Independent Living Units are generated by charging and collecting monthly rent from tenants. Rents exclude utilities and are determined by a number of factors including, without limitation, unit size and location, meals and services provided, debt service, operating costs, rents charged by competitors and the needs of tenants who are financially unable to pay normal rent in full. Twenty percent of the Independent Living Units are intended to serve tenants whose gross incomes do not exceed fifty percent of the median income for the Syracuse Metropolitan Statistical Area. For 2009, the applicable area median income (AMI) was \$22,300 for a 1 person household and \$25,500 for 2 person household.

The amount of rent charged for the Independent Living Units includes a servicing package consisting of meals, housekeeping, linen service, transportation, round the clock security and daily activities. The servicing package varies depending upon resident selections. The Institution is committed, consistent with its charitable purposes, to making the Independent Living Units available to tenants at the lowest feasible cost, taking into consideration debt service, other operating expenses and the need to maintain adequate reserves and existing resources.

Enriched Housing Units

The Enriched Housing Units consist of 30 studio units and 18 one-bedroom units (including 14 Enriched Housing Units which adjoin the Nursing Home). "Enriched Housing" is a specific residential care program authorized under the Social Services Law of the State of New York. All of the Enriched Housing Units are regulated pursuant to the Social Services Law and the Public Health Law of New York and applicable regulations of the New York State Department of Health thereunder (Loretto Adult Community, Inc., holds an Enriched Housing Operating Certificate issued by New York State Department of Health for all 48 Enriched Housing Units).

The Enriched Housing Units provide long-term residential care and services to adults, primarily 65 years of age or older. The general idea is to allow a resident to remain in a noninstitutional environment even as he or she becomes more frail. Services are provided as an alternative to low level nursing home care. Skilled nursing or other more intensive medical services are not generally provided, however. A medical evaluation by a physician must be completed for each potential resident. A person who is under 18 years of age or who requires continual nursing home care cannot be admitted under the program.

The residents of the Enriched Housing Units receive three daily meals, housekeeping, personal care and supervision. Personal care includes direction and assistance with grooming, dressing, bathing, walking and ordinary movement from bed to chair or wheelchair, eating and assistance with self administration of medications.

The Institution expects that residents of the Enriched Housing Units will continue to be private pay residents. Rents charged by the Institution for the Enriched Housing Units are determined in roughly the same manner as the Independent Living Units.

The Nursing Home

The Nursing Home is leased by the Institution to the Nottingham Residential Health Care Facility which is licensed by the New York State Department of Health to operate the Nursing Home as a residential health care demonstration facility under Article 28 and Section 4603-a of the Public Health Law of the State of New York. The Nottingham Residential Health Care Facility is a nonprofit corporation recognized under Section 501(c)(3) of the Internal Revenue Code and organized and existing under the Not-for-Profit Corporation Law and the Public Health Law of the State of New York.

The Nursing Home is a one-story building with 40 nursing home beds in 40 separate rooms (28 rooms share a bath off a common vestibule and the remaining rooms have a private bath). The Nursing Home adjoins 14 Enriched Housing Units and the main building. It provides skilled nursing care, rehabilitation, therapeutic care and related long-term care services to needy residents. A nursing home resident's clinical characteristics are typically deteriorating mental and physical capacities, chronic disability, need for rehabilitation or therapy, difficulties with activities of daily living, advanced age or other long-term care needs. Generally, people who do not require intensive medical care and supervision are ineligible for nursing home placement. Services provided by the Nursing Home will be paid for by residents directly (i.e., private pay) or reimbursed under Medicaid, Medicare or other insurance or third-party payment.

The lease with the Institution requires Nottingham Residential Health Care Facility to pay monthly rent to the Institution equal to the Nursing Home's proportionate share of all sums necessary to pay all principal, interest, SONYMA mortgage insurance premiums, reserves, escrows and all other sums and costs payable by the Institution under the Loan Agreement.

Operating Income

The Institution will make payments under the Loan Agreement from rent collected for the Independent Living Units and the Enriched Housing Units and from lease payments made by Nottingham Residential Health Care Facility. All such lease payments from Nottingham Residential Health Care Facility will be made from its operation of the Nursing Home and the revenues generated thereby.

Nottingham Residential Health Care Facility is approved for participation in both the Medicaid and Medicare programs but the majority of its revenues are derived from private pay residents. Medicaid is a jointly-funded, federal-state-local health insurance program established under Title XIX of the Social Security Act for certain low-income and needy people, and is administered by the respective States. Medicare is an exclusively federal health insurance program established under Title XVIII of the Social Security Act. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, and certain other beneficiaries. The private pay rate at the Nursing Home is based on a number of factors, including but not limited to, the operating costs of the Nursing Home, single or semi-private occupancy, the rates charged by the Nursing Home's competitors, and the Nursing Home's reimbursement rates.

Institution Financial Information

The Institution maintains financial records on the basis of a fiscal year ending December 31st. The financial statements of the Institution are audited annually by independent certified public accountants. The financial statements audited by Fust Charles Chambers LLP of the Institution for its last two years of operation are attached hereto as Appendix B.

Future Indebtedness

The Institution does not have any plans to undertake capital projects other than the 2010 Project, or incur long-term indebtedness other than the Series 2010 Bonds. Pursuant to the Mortgage with the Authority, any future capital project or long-term indebtedness is prohibited without the prior consent of the Authority.

Insurance

The Institution will maintain comprehensive fire and casualty insurance with coverage in an amount at least equal to the principal amount due on the Series 2010 Bonds. The Institution and Nottingham Residential Health Care Facility will also maintain comprehensive general liability and professional liability insurance with coverage in amounts of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Litigation

With the exception of potential claims under an interest rate exchange agreement dated February 9, 2005, that was entered into by the Institution and Morgan Stanley Capital Services, Inc., to the knowledge of management, there is no litigation or proceedings pending or threatened against the Institution.

PART 7- THE SERIES 2010B PROJECT

A portion of the proceeds of the Series 2010B Bonds, along with other available amounts of the Institution, will be used to finance the costs of a termination payment with respect to an interest rate exchange agreement dated February 9, 2005 that was entered into by the Institution and Morgan Stanley Capital Services, Inc.

PART 8- THE REFUNDING PLAN

A portion of the proceeds of the Series 2010A Bonds will be used to refund the Refunded Bonds. Such proceeds will be deposited with the trustee for the Refunded Bonds upon the issuance and delivery of the Series 2010A Bonds, and will be held in trust for the payment of such principal or redemption price of and interest on the Refunded Bonds. In the opinion of Bond Counsel, upon making such deposit with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the resolution pursuant to which they were issued, be deemed to have been paid, will no longer be outstanding and the pledge of the revenues or other moneys and securities pledged under such resolution to the Refunded Bonds and all other rights granted by such resolution to the Refunded Bonds shall be discharged and satisfied.

PART 9- THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

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

At March 31, 2010, the Authority had approximately \$41.5 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2010 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
State University of New York Dormitory Facilities	\$ 2,350,316,000	\$ 1,043,710,000	\$ 0	\$ 1,043,710,000
State University of New York Educational and Athletic Facilities	13,243,272,999	5,624,057,245	0	5,624,057,245
Upstate Community Colleges of the State University of New York.....	1,590,645,000	662,375,000	0	662,375,000
Senior Colleges of the City University of New York	10,262,671,762	3,346,519,213	0	3,346,519,213
Community Colleges of the City University of New York	2,444,968,350	542,365,787	0	542,365,787
BOCES and School Districts	2,436,626,208	1,845,580,000	0	1,845,580,000
Judicial Facilities	2,161,277,717	724,132,717	0	724,132,717
New York State Departments of Health and Education and Other.....	6,138,795,000	4,230,220,000	0	4,230,220,000
Mental Health Services Facilities	8,032,895,000	3,881,765,000	0	3,881,765,000
New York State Taxable Pension Bonds....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555,000	760,915,000	0	760,915,000
Totals Public Programs.....	<u>\$50,420,498,036</u>	<u>\$22,661,639,962</u>	<u>\$ 0</u>	<u>\$22,661,639,962</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Independent Colleges, Universities and Other Institutions.....	\$18,886,575,260	\$ 9,853,091,435	\$35,975,000	\$ 9,889,066,435
Voluntary Non-Profit Hospitals.....	14,092,059,309	8,070,515,000	0	8,070,515,000
Facilities for the Aged	1,996,020,000	887,495,000	0	887,495,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$35,069,654,569</u>	<u>\$18,811,101,435</u>	<u>\$35,975,000</u>	<u>\$18,847,076,435</u>
Grand Totals Bonds and Notes	<u>\$85,490,152,605</u>	<u>\$41,472,741,397</u>	<u>\$35,975,000</u>	<u>\$41,508,716,397</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2010, the Agency had approximately \$324.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2010 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program....	\$ 226,230,000	\$ 2,880,000
Insured Mortgage Programs	6,625,079,927	314,970,000
Revenue Bonds, Secured Loan and Other Programs ...	<u>2,414,240,000</u>	<u>7,045,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$ 324,895,000</u>
Total MCFFA Outstanding Debt	<u>\$ 13,082,780,652</u>	<u>\$ 324,895,000</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:

ALFONSO L. CARNEY, Jr., *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. 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, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President and the Chief Financial and Operating Officer of Earl G. Graves, Ltd., a multi-media company that includes *Black Enterprise* magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. In that capacity, Mr. Jiha was responsible for assets valued at \$120 billion and was in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha also served as Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2011.

CHARLES G. MOERDLER, ESQ., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. Mr. Moerdler also specializes in State and Federal appellate practice. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation and as a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. 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. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

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.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Ronski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

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.

DAVID M. STEINER, Ph.D., Commissioner of Education of the State of New York, Albany; ex-officio.

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

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.

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive 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 Vice President of the Authority, and assists the President 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.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and 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 2010 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, 2009. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10- LEGALITY OF THE SERIES 2010 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2010 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 2010 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 2010 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 2010 Bonds.

PART 12- TAX MATTERS

Series 2010A Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series 2010A Bonds to

be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Resolutions and the Loan Agreement, and in other documents and certificates contained in the transcript of proceedings, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications, nor will it verify ongoing compliance with such covenants.

In the opinion of Winston & Strawn LLP, Bond Counsel, assuming continuing compliance by the Authority, the Institution and others with the covenants, and the accuracy of the representations and certifications referenced above, under existing statutes, regulations, rulings, and court decisions, interest on the Series 2010A Bonds is not includable in gross income for federal income tax purposes.

Bond Counsel is further of the opinion that interest on the Series 2010A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations and such interest will not be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series 2010A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in pertinent federal tax law and regulations or (ii) the interpretation and the enforcement of such law and regulations by the IRS.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally-recognized bond counsel. Bond Counsel expresses no opinion as to any Series 2010A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than themselves.

The Series 2010A Bonds are initially offered to the public at prices in excess of their principal amounts (the “Premium Series 2010A Bonds”). Bond Counsel is of the opinion that the initial purchaser with an initial adjusted basis in a Premium Series 2010A Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Series 2010A Bond based on the purchaser’s yield to maturity (or, in the case of Premium Series 2010A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2010A Bond, an initial purchaser is required to decrease such purchaser’s adjusted basis in such Premium Series 2010A Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2010A Bonds. Owners of the Premium Series 2010A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Series 2010A Bonds.

Information reporting requirements apply to interest (including original issue discount) paid on tax-exempt obligations, including the Series 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2010A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Prospective purchasers of the Series 2010A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors as to any possible collateral tax consequences in respect of the Series 2010A Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

In the opinion of Bond Counsel, interest on the Series 2010A Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2010A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010A Bonds. No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, clarification of the Code or court decisions will not cause interest on the Series 2010A Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisers regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation. Further, no assurance can be given that future court decisions or clarification of the Code, the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling or selection of the Series 2010A Bonds for audit examination, or the course or result of any IRS examination of the Series 2010A Bonds, or obligations which present similar tax issues, will not affect the market price of the Series 2010A Bonds.

Bond Counsel's engagement with respect to the Series 2010A Bonds ends with the issuance of the Series 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners of the Series 2010A Bonds regarding the tax status of interest on the Series 2010A Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2010A Bonds, under current IRS procedures the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2010A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2010A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2010A Bonds.

Series 2010B Bonds (Federally Taxable)

In the opinion of Bond Counsel, interest on the Series 2010B Bonds will be included in the gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2010B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers. Bond Counsel expresses no opinion regarding any other federal or state income tax consequences relating to the ownership of, accrual or receipt of interest on, or disposition of the Series 2010B Bonds. Owners of the Series 2010B should consult their tax advisors with respect to their particular circumstances.

The following is a summary of certain anticipated United States federal income tax consequences that may be relevant to purchasers of the Series 2010B Bonds. The summary is based upon the provisions of the Code, the

regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2010B Bonds which are purchased in the initial offering at the initial offering price and then held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2010B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010B Bonds.

The advice set forth in this section is not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2010B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2010B Bonds. The advice set forth herein is written to support the promotion or marketing of the Series 2010B Bonds. Each owner of the Series 2010B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

The Series 2010B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2010B Bonds that allocate a basis in the Series 2010B Bonds that is greater than the principal amount of the Series 2010B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases the Series 2010B Bonds for an amount that is less than the principal amount of the Series 2010B Bonds, and such difference is not considered de minimis, then such discount will represent original issue discount. The original issue discount on a Series 2010B Bond will accrue periodically over the term of such Bond. The amount of the original issue discount that so accrues will be treated as if it were a payment of interest that is taxable for federal income tax purposes. The accrual of original issue discount will increase the owner's tax basis in the Series 2010B Bond for purposes of determining gain or loss on the subsequent sale, exchange, or redemption of such Bond.

Defeasance of any Series 2010B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2010B Bond.

Distributions on the Series 2010B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2010B Bond generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements.

Payments on the Series 2010B Bonds may, under certain circumstances, be subject to backup withholding at the rate of provided by the Code. Backup withholding generally applies to payments if (a) the payee fails to furnish the payor with its taxpayer identification number ("TIN"); (b) the payee furnishes the payor with an incorrect TIN; (c) the Treasury Department notifies the payor that the payee failed to report properly payments as required by the Code; or (d) the payee, under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that the payee is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain payees, including payments to certain exempt recipients (such as certain exempt organizations) and to certain foreign persons. Investors should consult their independent tax advisors as to their qualifications for exemption from backup withholding and the procedure for obtaining exemption.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2010B Bonds under state law and could affect the market price of the Series 2010B Bonds.

PART 13- STATE NOT LIABLE ON THE SERIES 2010 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolutions specifically provide that the Series 2010 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 2010 Bonds by the Authority are subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2010 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, Byrne, Costello, and Pickard, P.C., Syracuse, New York and for the Underwriter by its counsel, Hodgson Russ LLP, Albany, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010 Bonds or questioning or affecting the validity of the Series 2010 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolutions and the Loan Agreement.

PART 16- RATINGS

The Series 2010 Bonds are rated "Aa1" by Moody's Investors Service. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2010 Bonds.

PART 17- BANK QUALIFIED BONDS

Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code") disallows the deduction by a financial institution for that portion of its interest expense that is allocable to tax-exempt interest. Section 265(b) of the Code provides an exception from such treatment with respect to "qualified tax-exempt obligations." Thus, financial institutions that are holders of "qualified tax-exempt obligations" may deduct the portion of such financial institutions' interest expense allocable to such "qualified tax-exempt obligations" to the extent not subject to other limitations of the Code.

The Institution has represented that, as of the date hereof, no tax-exempt obligations have been issued by or on behalf of the Institution or any of its subordinate entities in calendar year 2010, and that the amount of tax-exempt obligations that will be issued by or on behalf of the Institution and all of its subordinate entities is reasonably anticipated to be not more than \$30 million in calendar year 2010. Accordingly, the Institution has designated the Series 2010 Bonds as "qualified tax-exempt obligations" for purposes of Section 265 of the Code. If

the amount of tax-exempt obligations actually issued by or on behalf of the Institution and its subordinate entities were to exceed \$30 million in calendar year 2010, at any time during calendar year 2010, the Series 2010 Bonds might not be treated as “qualified tax-exempt obligations” for purposes of Section 265 of the Code. Prospective purchasers of the Series 2010 Bonds that are financial institutions should consult their tax advisors as to the impact of ownership of the Series 2010 Bonds.

PART 18- UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2010 Bonds from the Authority at an aggregate purchase price of \$15,801,721.80, representing principal of the Series 2010 Bonds of \$14,955,000.00, plus original issue premium of \$1,001,640.40, less underwriter’s discount of \$154,918.60, and to make a public offering of the Series 2010 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement plus accrued interest. The Underwriters will be obligated to purchase all such Series 2010 Bonds if any are not purchased.

The Series 2010 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 19- CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (“Rule 15c2-12”), the Institution has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 165 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending December 31, 2010, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access System for municipal disclosures on an annual basis, operating data and financial information of the type hereinafter described (the “Annual Information”), together with the Institution’s annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards; provided however that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB when they become available.

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

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will file the Notices with each such Repository or with the MSRB in a timely manner. With respect to the Series 2010 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2010 Bonds or any other party. DAC has no responsibility for

the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of: (1) operating data and financial information of the type included in the Official Statement unless such information is included in the audited financial statements of the Institution; together with (2) a narrative explanation, if necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2010 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 2010 Bonds; (7) modifications to the rights of holders of the Series 2010 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2010 Bonds; (11) rating changes; and (12) failure to provide annual financial information as required. In addition, DAC will undertake to provide to the MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2010 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2010 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2010 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 2010 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 2010 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 2010 Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2010 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2010 Bonds will be on file at the principal office of the Authority.

PART 20- MISCELLANEOUS

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

The agreements of the Authority with Owners of the Series 2010 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2010 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2010 Bonds.

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

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

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

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

"Appendix A - 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 prepared by Winston & Strawn LLP, New York, New York, Bond Counsel.

The financial statements of the Institution for the years ended December 31, 2008 and December 31, 2009 included in Appendix B have been audited by Fust Charles Chambers LLP, independent auditors, as indicated in their report therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Refunding Plan, the Estimated Sources and Uses of Funds and "Appendix B - Audited Financial Statements (Together with Independent Auditor's Report) of The Nottingham Retirement Community, Inc. for the Years Ended December 31, 2008 and 2009." The Institution shall certify as of the dates of sale and delivery of the Series 2010 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

The 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
Authorized Officer

DEFINITIONS

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CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Building and Equipment Reserve Fund means the fund so designated, created and established pursuant to the Resolution.

Building and Equipment Reserve Fund Requirement means the amount set forth in the Loan Agreement; provided, however, that such amount shall be reduced by the total of any amounts withdrawn from the Building and Equipment Reserve Fund and increased by the amount of each repayment required pursuant to the Loan Agreement to reimburse the amounts so withdrawn.

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

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

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 of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to the construction of the Project, and any amendments to the foregoing, all to be prepared in conformity with the requirements of the standards of professional practice of the American Institute of Architects.

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

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

improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant to the Resolution or to the Loan Agreement.

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

- (i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;
- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto; or
- (v) any other federal agency or instrumentality approved by the Authority.

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

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

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

Defeasance Security means any of the following:

- (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations;
- (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and
- (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i)

above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation;

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

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

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

Exempt Obligation means any of the following:

- (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical Rating Services provided that if the Bonds are then rated, such Rating Services shall include all the Rating Services then rating the Bonds;
- (ii) a certificate or other instrument which evidences the beneficial ownership of or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and
- (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of one dollar (\$1.00).

Facility Provider means the issuer of any Reserve Fund Facility.

Federal Agency Obligation means:

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

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

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

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

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

Government Obligation means any of the following:

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

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

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

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

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

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

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

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

Institution means The Nottingham Retirement Community, Inc., a not-for-profit corporation organized and existing under the laws of the State, or any successor thereto as permitted by the Loan Agreement.

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

Loan Agreement means the Loan Agreement, dated as of February 24, 2010, by and between the Authority and the Institution in connection with the issuance of the Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted hereby and by the Loan Agreement.

Mortgage means the 1995 Mortgage as modified by the Mortgage Modification Agreement in connection with the issuance of the Bonds, in form and substance satisfactory to the Authority, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under Loan Agreement as such Mortgage may be amended or modified as provided in Section 13 of the Loan Agreement.

Mortgage Modification Agreement means that certain agreement between the Institution and the Authority entered into in connection with the issuance of the Series 2010 Bonds modifying the 1995 Mortgage.

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

1995 Mortgage means that certain mortgage dated as of October 18, 1995 granted by the Institution to the Authority in connection with the issuance of the Refunded Bonds.

Operating Agreement means, collectively, those certain amended and restated operating agreements, each dated as of May 26, 2010, one being among the Authority, the Institution and Loretto Adult Community, Inc., and the other being among the Authority, the Institution and Nottingham Residential Health Care Facility.

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

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

Permitted Collateral means any of the following:

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

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

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

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

Permitted Encumbrances means

- (i) the Loan Agreement;
- (ii) the Resolution;
- (iii) the Mortgage;
- (iv) any instrument recorded pursuant to Section 21 of the Loan Agreement;
- (v) other encumbrances or matters approved in writing by the Authority and SONYMA; and
- (vi) those matters referred to in any title insurance policy described in Section 14 of the Loan Agreement and accepted by the Authority and by SONYMA recorded pursuant to Section 21 of the Loan Agreement.

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 of credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposit in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category provided that if the Bonds are then rated, such Rating Service shall include all the Rating Services then rating the Bonds, and (b) are fully collateralized by Permitted Collateral;
- (vi) Investment Agreements that are fully collateralized by Permitted Collateral; and
- (vii) to the extent any of the following constitute permitted investments under the “Investment Policy and Guidelines” of the Authority in effect at the time an investment is made:

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

(2) an uncollateralized, unsecured certificate of deposit, time deposit or bankers’ acceptance that (A) has a maturity of not more than three hundred sixty-five (365) days and (B) is issued by or are of or with a bank the short term obligations of which are, at the time an investment in such certificate of deposit, time deposit or bankers’ acceptance is made or the same is deposited in any fund or account under the

Resolution, rated “A-1” by Standard & Poor’s Rating Services and “P-1” by Moody’s Investors Service, Inc.; and

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

Project means a “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of the Bonds, as more particularly described in the Resolution or in any Series Resolution.

1995 Project means the project financed with the Refunded Bonds.

2010 Project means (i) the refunding of the Refunded Bonds; (ii) the funding of the Debt Service Reserve Fund; (iii) the financing of a termination payment with respect to an interest rate swap agreement dated as of February 9, 2005 between the Institution and Morgan Stanley Capital Services, Inc.; and (iv) paying the Costs of Issuance of the Bonds.

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

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

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

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the

highest rating category for such short term debt; **provided, however**, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds;

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

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

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

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

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

Refunded Bonds means the Dormitory Authority of the State of New York The Nottingham Retirement Community, Inc. Revenue Bonds, Series 1995.

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

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

Resolution means The Nottingham Retirement Community, Inc. Revenue Bond Resolution, adopted by the members of the Authority on February 24, 2010, as the same may be from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

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

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

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

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds

thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series 2010A Bonds means the Bonds designated “Dormitory Authority of the State of New York The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt) authorized to be issued pursuant to the Resolution and the Series 2010A Resolution in an aggregate principal amount not to exceed \$19,000,000.

Series 2010B Bonds means the Bonds designated “Dormitory Authority of the State of New York The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable) authorized to be issued pursuant to the Resolution and the Series 2010B Resolution in an aggregate principal amount not to exceed \$19,000,000.

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

Series 2010A Resolution means the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt).

Series 2010B Resolution means the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable).

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

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

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

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

State means the State of New York;

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

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

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

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

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

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

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**AUDITED FINANCIAL STATEMENTS (TOGETHER WITH INDEPENDENT AUDITOR'S REPORT) OF
THE NOTTINGHAM RETIREMENT COMMUNITY, INC. FOR THE YEARS ENDED
DECEMBER 31, 2008 AND DECEMBER 31, 2009**

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THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Financial Statements

December 31, 2009 and 2008

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Nottingham Retirement Community, Inc.

We have audited the accompanying balance sheets of The Nottingham Retirement Community, Inc. as of December 31, 2009 and 2008 and the related statements of operations and changes in net deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Nottingham Retirement Community, Inc. as of December 31, 2009 and 2008, and the results of its operations and changes in net deficit and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fust Charles Chambers LLP

April 27, 2010

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Balance Sheets

December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,415,336	1,186,362
Short-term investments	-	138,149
Assets limited as to use	805,670	862,321
Tenants receivable, less allowance for doubtful accounts of approximately \$4,000 in 2009 and \$15,000 in 2008	29,532	62,607
Capital lease receivable, net of deferred income of \$222,804 in 2009 and \$230,885 in 2008	148,038	140,550
Inventory	23,272	30,004
Prepaid expenses, deposits and interest receivable	331,247	239,339
Due from affiliates, net	<u>258,168</u>	<u>239,208</u>
Total current assets	3,011,263	2,898,540
Assets limited as to use, net of current portion	1,906,312	2,480,256
Capital lease receivable, net of deferred income of \$1,882,391 in 2009 and \$2,105,195 in 2008	3,504,529	3,652,567
Property and equipment, net	12,258,914	12,659,373
Debt issuance costs, net of accumulated amortization of \$651,517 in 2009 and \$591,211 in 2008	<u>814,512</u>	<u>874,818</u>
Total assets	\$ <u>21,495,530</u>	<u>22,565,554</u>

<u>Liabilities and Net Deficit</u>	<u>2009</u>	<u>2008</u>
Current liabilities:		
Current portion of long-term debt	\$ 625,000	595,000
Current portion of accrued interest on purchase money mortgage payable	50,000	50,000
Current portion of unrealized loss on interest rate swap	-	502,500
Accounts payable - trade	177,066	332,192
Accrued interest on bonds payable and interest rate swaps	508,147	509,585
Payroll and other accruals	596,900	605,060
Refundable deposits	15,000	35,500
Advance payments from tenants	<u>273,574</u>	<u>290,020</u>
Total current liabilities	2,245,687	2,919,857
Unrealized loss on interest rate swap, net of current portion	1,613,795	4,034,025
Other liabilities	432,468	232,719
Long term debt, net of current portion	18,640,000	19,265,000
Accrued interest on purchase money mortgage payable	<u>3,100,696</u>	<u>2,868,111</u>
Total liabilities	26,032,646	29,319,712
Unrestricted net deficit	<u>(4,537,116)</u>	<u>(6,754,158)</u>
Contingent liabilities (note 9)		
Total liabilities and net deficit	<u>\$ 21,495,530</u>	<u>22,565,554</u>

See accompanying notes to the financial statements.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Statements of Operations and Changes in Net Deficit

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues, gains and other support:		
Rental income	\$ 5,180,197	4,947,510
Program income	2,829,988	2,715,944
Residential services income	103,278	55,912
Interest income on capital lease	230,885	238,536
Other revenue	<u>176,045</u>	<u>295,480</u>
Total revenues, gains and other support	<u>8,520,393</u>	<u>8,253,382</u>
Expenses:		
Employee compensation and benefits	3,666,205	3,372,727
Resident services	1,347,000	1,597,809
Property taxes	424,559	407,597
General and administrative	1,082,648	934,712
Depreciation and amortization	985,967	892,501
Interest	1,319,811	1,024,710
Provision for bad debts	<u>4,555</u>	<u>22,156</u>
Total expenses	<u>8,830,745</u>	<u>8,252,212</u>
Income (loss) from operations	<u>(310,352)</u>	<u>1,170</u>
Nonoperating gains (losses):		
Investment income	103,305	193,516
Contributions	1,360	2,700
Realized and unrealized gains (losses) on interest rate swaps	<u>2,422,729</u>	<u>(3,467,540)</u>
Total nonoperating gains (losses), net	<u>2,527,394</u>	<u>(3,271,324)</u>
Excess (deficiency) of revenues over expenses and change in unrestricted net deficit	2,217,042	(3,270,154)
Net deficit at beginning of year	<u>(6,754,158)</u>	<u>(3,484,004)</u>
Net deficit at end of year	\$ <u>(4,537,116)</u>	\$ <u>(6,754,158)</u>

See accompanying notes to the financial statements.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net deficit	\$ 2,217,042	(3,270,154)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation and amortization	985,967	892,501
Realized and unrealized losses (gains) on investments	27,240	(7,161)
Realized and unrealized (gain) loss on interest rate swaps	(2,422,729)	3,467,540
Bad debt expense	4,555	22,156
Changes in operating assets and liabilities:		
Tenants receivable	28,520	(25,275)
Other receivables	-	100,602
Inventory	6,732	-
Prepaid expenses, deposits and interest receivable	(91,908)	70,095
Accounts payable	(32,925)	(122,721)
Accrued interest and other accrued expenses	(9,598)	154,882
Refundable deposits	(20,500)	6,875
Advance payments from tenants	(16,446)	16,854
Due from affiliates, net	(18,960)	147,615
Other liabilities	199,749	(119,144)
	<u>856,739</u>	<u>1,334,665</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(647,403)	(1,155,990)
Net proceeds from (purchases of) assets limited as to use and short-term investments	741,504	(15,553)
Payments received on capital lease receivable	140,550	133,062
	<u>234,651</u>	<u>(1,038,481)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Payments on long-term debt	(595,000)	(560,000)
Settlement payments on interest rate swap	(500,001)	-
Net increase in accrued interest on purchase money mortgage payable	232,585	236,752
	<u>(862,416)</u>	<u>(323,248)</u>
Net cash used in financing activities		
Increase (decrease) in cash and cash equivalents	228,974	(27,064)
Cash and cash equivalents at beginning of year	<u>1,186,362</u>	<u>1,213,426</u>
Cash and cash equivalents at end of year	\$ <u>1,415,336</u>	<u>1,186,362</u>

See accompanying notes to the financial statements.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

December 31, 2009 and 2008

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

The Nottingham Retirement Community, Inc. (the Corporation) (whose sole corporate member is Loretto Rest, Inc.) is a not-for-profit corporation that operates a residential community of 234 units that offers a comprehensive program of service and support for retired adults in the Central New York community.

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less when purchased, excluding assets limited as to use under regulatory agreements or other arrangements under trust agreements.

(d) Assets Limited as to Use and Short Term Investments

Assets limited as to use include assets held in building and equipment reserve and debt service reserve accounts established in connection with the Corporation's indenture agreements. Short term investments represents a certificate of deposit with a maturity of less than one year. Investments in debt securities are measured at fair value on the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or law.

(e) Revenue and Tenants Receivable

Rental income includes charges for basic rent. Program income is generated from a range of services at varying levels which may include food service, social and recreational service(s), medical alert system services, transportation services, concierge services, communication services, security and personal assistance services. Residential service income consists of additional services provided to residents not included in program income such as additional meal programs, laundry and housekeeping services.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(e) Revenue and Tenants Receivable, Continued

Advance payments from tenants represents rental income received in advance by the Corporation and the refundable portions of community fees. Rental income and community fee income are recognized when earned.

The Corporation grants credit without collateral to its residents, the vast majority of whom are private payors. Due to the wide distribution of this credit amongst a significant number of residents, management does not believe that this represents a significant risk to the Corporation.

Tenants receivable are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings based on periodic reviews of the collectibility of accounts receivable considering historical experience, prevailing economic conditions and any unusual circumstances which may affect the ability of the residents to meet their obligations. Doubtful accounts are charged against the allowance when management believes the uncollectibility of a receivable balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

(f) Inventory

Inventory is stated at cost determined by the first-in, first-out method.

(g) Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed by the straight-line method. The estimated useful lives of each class of assets is as follows:

Building	30 years
Improvements	3-20 years
Moveable equipment	3-15 years
Vehicles	5 years

(h) Debt Issuance Costs

Debt issuance costs represents costs associated with the original bond offering as well as costs associated with the call premium and are being amortized by the straight-line method over a period of 30 years or the remaining life of the bonds. Amortization expense amounted to \$60,306 in 2009 and 2008. Amortization expense for the next five years will amount to \$60,306 per year.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(i) Self-Insurance

The Corporation, under certain insurance programs, is self-insured for expected losses primarily related to workers' compensation (from September 1, 2001 to December 31, 2009) and general and professional liability until September 2009. A provision for claims under the self-insured programs are recorded based upon the Corporation's estimate, after consultation with insurance advisors, of the aggregate liability for claims incurred.

(j) Derivative Instruments

Derivative instruments are recorded on the balance sheet at their fair value.

(k) Operating Indicator

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of residential housing services to tenants are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains, which includes investment income.

(l) Advertising Expense

The Corporation follows the practice of charging the cost of advertising expense as incurred. Total expenses incurred of \$85,987 and \$121,920 were incurred during the years ended December 31, 2009 and 2008, respectively, are reported as resident services expenses in the financial statements.

(m) Income Taxes

The Corporation has been granted tax exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

As of December 31, 2009, the Corporation did not have any unrecognized tax benefits or any related accrued interest or penalties. The tax years open to examination by federal and New York State taxing authorities are 2006 through 2009.

(n) Concentration of Credit Risk

The Corporation maintains cash balances above FDIC insurance limitations amounting to approximately \$323,000 at December 31, 2009.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Collective Bargaining Agreement

At December 31, 2009, the Corporation has approximately 66% of its employees working under a collective bargaining agreement which is due to expire on April 30, 2011.

(p) Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

(q) Subsequent Events

Subsequent events have been evaluated through April 27, 2010, which is the date the financial statements were available to be issued. See note 6 regarding managements plans regarding the refunding and issuance of new instruments and satisfaction of the interest rate swap liabilities in 2010 and note 9 regarding workers compensation self insured trust activities occurring in 2010.

(2) Operating Considerations

As shown on the accompanying financial statements, the Corporation has a net deficit of \$4,537,116 and \$6,754,158 at December 31, 2009 and 2008, respectively, and a loss from operations of approximately \$310,000. The Corporation is closely affiliated with various Loretto entities and, as disclosed in the accompanying financial statements and notes, has extensive transactions with these entities. As a result of this relationship, it is possible that the terms of the transactions are not the same as those which would result from dealings with unrelated parties. In addition, due to its current financial position, the Corporation may be unable to continue in its present form without the ongoing financial support that is provided by its affiliated Loretto entities.

Management expects, based on its current plans to improve operating results (through increased occupancy and controlled operating costs), and refunding and issuance of new debt obligations at reduced interest rates, that the Corporation will be able to meet its obligations as they become due.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(3) Capital Lease Receivable

In conjunction with the purchase of the facility, the Corporation used a portion of the bond proceeds and constructed a 40-bed nursing home. The Corporation leases the nursing home building and equipment, under the terms of a capital lease, to an affiliated corporation, the Nottingham Residential Health Care Facility (NRHCF). The cost of the assets leased is \$4,978,000 and are excluded from the Corporation's property and equipment. The term of the lease is 30 years which commenced in October 1996 and expires in 2026. The lease provides for the Corporation to recover the cost of the leased property with no profit. NRHCF pays an annual rent in equal monthly installments at an amount to satisfy its proportionate share of debt service and insurance attributable to the nursing home project. The lease does not transfer title to NRHCF at the end of the lease term. The capital lease receivable is recorded at the net of the gross receipts to be received, less the unearned interest income from NRHCF through the capital lease agreement. The gross receipts receivable is discounted at the interest rates paid by the Corporation on the bonds. All assets covered under the capital lease agreement are pledged as collateral.

Minimum lease payments to be received as of December 31, 2009 for each of the next five years and in the aggregate thereafter are as follows:

2010	\$	370,842
2011		371,319
2012		371,596
2013		371,283
2014		371,529
Thereafter		<u>3,901,193</u>
		5,757,762
Less imputed interest		<u>(2,105,195)</u>
		3,652,567
Less current portion		<u>(148,038)</u>
	\$	<u>3,504,529</u>

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(4) Assets Limited as to Use

Assets limited as to use consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Building and equipment reserve fund (1)	\$ 241,376	865,319
Debt service funds:		
Debt service fund (2)	805,670	862,321
Debt service reserve fund (3)	<u>1,664,936</u>	<u>1,614,937</u>
	2,711,982	3,342,577
Less assets required for current use	<u>(805,670)</u>	<u>(862,321)</u>
Noncurrent assets limited as to use	<u>\$ 1,906,312</u>	<u>2,480,256</u>

1. Building and equipment reserve fund: The Dormitory Authority requires a building and equipment reserve fund to be maintained initially in the amount of \$800,000 with funding formulas in effect should the balance drop below that level. All required deposits were made in 2009 and 2008. The Corporation is required to fund approximately \$140,000 in 2010 under the current agreement.
2. Debt service fund: The debt service fund is used to make the required interest, principal and sinking fund payments due in January and July of each year. The debt service fund is classified as a current asset in 2009 and 2008.
3. Debt service reserve fund: The debt service reserve fund was established to meet the requirements of the New York State Dormitory Authority which directs that the debt service reserve fund must be maintained at an amount equal to the lesser of the sum of interest, principal and sinking fund installments due in any future year, or 10% of the net proceeds.

At December 31, 2009, assets limited as to use consisted of \$573,167 of cash and cash equivalents, \$1,664,936 of guaranteed investment contracts and \$473,879 of U.S. Government Agency obligations. At December 31, 2008, assets limited as to use consisted of \$575,432 of cash and cash equivalents, \$1,614,937 of guaranteed investment contracts, and \$1,152,208 of U.S. Government Agency obligations.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(4) Assets Limited as to Use, Continued

Investment income and realized and unrealized gains and losses for assets limited as to use, short term investments and cash and cash equivalents are comprised of the following for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Investment income:		
Interest income	\$ 130,545	186,355
Realized gains (losses) on sales of investments	(19,700)	5,396
Change in net unrealized gains and losses on investments	<u>(7,540)</u>	<u>1,765</u>
	<u>\$ 103,305</u>	<u>193,516</u>

(5) Property and Equipment

A summary of property and equipment as of December 31 follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 610,000	610,000
Buildings and improvements	19,712,245	19,212,477
Moveable equipment	<u>1,914,288</u>	<u>1,888,854</u>
	22,236,533	21,711,331
Less accumulated depreciation and amortization	<u>9,977,619</u>	<u>9,051,958</u>
Property and equipment, net	<u>\$ 12,258,914</u>	<u>12,659,373</u>

Depreciation expense for 2009 and 2008 amounted to \$925,661 and \$832,195, respectively.

(6) Long-Term Debt and Credit Facilities

At December 31, long-term debt consisted of the following:

	<u>2009</u>	<u>2008</u>
Dormitory Authority of the State of New York 1995 Series Revenue Bonds	\$ 16,165,000	16,760,000
9.25% purchase money mortgage payable to financial institution, interest only payments of \$50,000 per year, with final principal and interest due October 1, 2025	<u>3,100,000</u>	<u>3,100,000</u>
	19,265,000	19,860,000
Less current portion	<u>625,000</u>	<u>595,000</u>
Long-term debt, net of current portion	<u>\$ 18,640,000</u>	<u>19,265,000</u>

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(6) Long-Term Debt and Credit Facilities, Continued

Bonds Payable

On October 18, 1995, the Corporation and the Dormitory Authority of the State of New York (Dormitory Authority) entered into an agreement whereby the Corporation received the proceeds of Series 1995 bonds (bonds). The bonds are a special obligation of the Dormitory Authority and the mortgage securing the bonds is insured by a State of New York Mortgage Authority (SONYMA) insurance policy. The property and equipment owned by the Corporation are pledged as security for the bonds.

Series of bonds with effective interest rates are outstanding as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Amount</u>
2010	5.75%	\$ 625,000
2015	6.05%	3,740,000
2025	6.125%	<u>11,800,000</u>
		<u>\$ 16,165,000</u>

Repayment of the bonds by the Corporation coincides with the repayment of the bonds and interest by the Dormitory Authority. In addition, the Corporation must also reimburse the Dormitory Authority and SONYMA for certain expenditures.

At December 31, 2009, the serial maturities of the outstanding bonds require the Corporation to make the following sinking fund payments.

2010	\$ 625,000
2011	660,000
2012	705,000
2013	745,000
2014	790,000
Thereafter	<u>12,640,000</u>
	<u>\$ 16,165,000</u>

The Bonds are subject to redemption prior to maturity at the option of the Dormitory Authority at the redemption price of par plus accrued interest to the date of redemption.

In February 2005, the Corporation entered into an agreement with a third party whereby the third party arranged for a call of the term bonds at 102% and simultaneously resold the bonds to a financial institution. The terms of the bonds remain substantially unchanged, accordingly, the call premium of \$368,000 has been recorded as an additional debt issuance cost and is being amortized over the remaining term of the bonds.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(6) Long-Term Debt and Credit Facilities, Continued

Bonds Payable, Continued

In conjunction with the calling and reselling of the bonds, the Corporation entered into three total return and three interest rate swap agreements with the acquiring financial institution to reduce the cost of the interest being paid on the fixed-rate term bonds ranging from 5.75% to 6.125%.

Under the total return swaps, the Corporation pays the financial institution a variable rate equal to the Bond Market Association (BMA) Municipal Swap Index plus 0.44%. The financial institution pays the Corporation interest at the fixed rate ranging from 5.75% to 6.125%. The total return swaps effectively converts the bonds to variable rate debt which subjects the Corporation's income to fluctuations in short-term market interest rates. The Corporation has hedged the variable cash flows resulting from the total return swaps with fixed pay interest rate swaps. Under the interest rate swaps (fixed-pay swap), the financial institution paid the Corporation interest at 67% of LIBOR. The Corporation paid the financial institution interest at a fixed rate of 4.255%.

In September 2008, the Corporation received a notice of termination of the total return swap from the financial institution. The Corporation terminated the total return swaps with notional amounts of \$4,960,000 and the financial institution resold the bonds amounting to \$4,960,000 which reduced the total return swap to \$11,800,000. Effective February 26, 2009, the Corporation and the financial institution agreed to extend the termination date of the total return swap to August 26, 2009 and also amend the remaining total return and interest rate swap agreements. Under the amended agreement, the Corporation will pay the financial institution at a variable rate of BMA plus 2% until the termination date on the total return swap. In April 1, 2009 the Corporation partially terminated the fixed pay swaps reducing the notional amount of the swaps from \$16,760,000 to \$11,800,000. The amended interest rate swap required the Corporation to pay the financial institution approximately \$553,000 including interest of \$52,000 to partially unwind the fixed pay interest rate swaps. Furthermore, should the termination value of the remaining swaps fall to \$1,000,000, both swaps would terminate and the Corporation would pay the financial institution the termination value in three equal annual installments, plus interest of 10% per annum. The expiration date of the total return swap agreement was extended during 2009 and in 2010 until June 1, 2010.

Under the swap agreements, the Corporation paid additional interest expense of approximately \$46,000 during 2009 and received interest income of approximately \$295,000 in 2008, which is reported as a reduction in interest expense in the accompanying financial statements.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(6) Long-Term Debt and Credit Facilities, Continued

Bonds Payable, Continued

Although the Corporation had designated these swap agreements as hedges since their inception, the Corporation did not elect to seek hedge accounting for these agreements under the Derivatives and Hedging topic of the FASB Accounting Standards Codification. Accordingly, during 2009 and 2008 the Corporation recognized a net gain (reported as unrealized gain or loss on interest rate swaps on the statement of operations and changes in net deficit) of \$2,422,729 and a net loss of \$3,467,540 and a related liability of \$1,613,795 at December 31, 2009 and \$4,536,525 at December 31, 2008 (reported as an unrealized loss on interest rate swaps on the balance sheet) representing the fair value of the interest rate swap agreements at year end.

The notional amounts and fair values, based on quoted market prices, of the Corporation's remaining interest rate swaps is as follows at December 31, 2009:

	<u>Notional amount</u>	<u>Liability (asset) market value</u>
Fixed pay swap	\$ 11,800,000	\$ 1,669,630
Total return swap	11,800,000	<u>(55,835)</u>
		<u>\$ 1,613,795</u>

In January 2010, the Board provided management with the authority to terminate the swap transactions and make payment to the financial institution for any agreed upon termination payments as well as enter into the refinancing of the Revenue Bonds, issued by the Dormitory Authority in 1995, conditioned on the bonds interest rate not exceeding 8.5% and the total obligation not exceeding \$20,000,000. As a result of the refunding of the Revenue Bonds and financing of the interest rate swap termination payments, it is expected that the Corporation will be able to reduce its interest rate on the bonds to an average interest rate of approximately 4.75%, pay a portion of the swap termination costs of approximately \$800,000 and fund the debt service reserve funds. The remaining amount of the swap termination payments will come from funds of the Corporation and advances from other affiliated Loretto entities to the Corporation. It is anticipated that the refinancing will be accomplished through the combination of tax-exempt and taxable Revenue Bonds secured by payments to be received under the loan agreement and the SONYMA insurance policy and further evidenced by a mortgage and a mortgage note. Further, it is anticipated that the loan agreement and the original mortgage note under the 1995 will be amended by an amendment to reflect certain terms of the Series 2010 bonds. As of April 27, 2010, the Series 2010 bonds have not been issued.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(6) Long-Term Debt and Credit Facilities, Continued

Mortgage Payable

In connection with its acquisition of the facility and in partial payment of the purchase price, the Corporation executed a Purchase Money Mortgage with the former owner in the principal amount of \$3,100,000. The Purchase Money Mortgage terms are as follows: (1) interest: 9.25% per annum; (2) term: thirty years; and (3) repayment: monthly payments are payable if the Facility meets certain financial criteria calculated as 1/12th of the balance of the effective gross income over total projected operating expenses as defined in the Promissory Note between the Corporation and the former owner. At the maturity date, October 2025, the Corporation will pay to the former owner all unpaid principal and interest. The Purchase Money Mortgage is subordinated in all respects to the bonds.

Commencing with the Corporation's 1999 budget and for each year thereafter, to the extent that the budget does not, for two consecutive years, project cash flows in the minimum amount of \$300,000 for payment of the Purchase Money Mortgage, the Corporation will, at the discretion of the former owner, employ a management consultant to submit a report and recommendations of the operation of the Corporation for the purpose of generating at least \$300,000 for payment on the Purchase Money Mortgage. The Purchase Money Mortgage contains a covenant that the Corporation would be required to implement such recommendations of the management consultant.

In 2001, the Corporation and the former owner entered into an agreement whereby the former owner will not exercise its right to appoint a management consultant provided that the borrower make interest payments in the aggregate amount of at least \$50,000 per year commencing with 2001 and continuing thereafter during each and every calendar year for the remaining term of the Purchase Money Mortgage based on a prescribed formula. At December 31, 2009 and 2008, the Corporation made payments of \$50,000.

Cash paid for interest amounted to \$1,103,678 and \$925,726 for the years ended December 31, 2009 and 2008, respectively.

(7) Transactions with Affiliates

In its efforts to provide a complete range of services to its residents and program participants, the Corporation is affiliated with a number of Loretto entities through common membership, common board makeup, or other agreements. Because of this affiliated relationship, generally, advances and other balances due from/to affiliated entities arising in the normal course of business are recorded on an interest free basis. Amounts due to/from affiliates are collected/paid based on availability of funds from operations and on expected payment terms.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(7) Transactions with Affiliates, Continued

Various services are provided including payments made for and on behalf of the Corporation by its affiliates. Loretto Management Corporation (LMC) provides administrative, financial, and planning support services to the Corporation. The Loretto Foundation (Foundation) provides fundraising support services to the Corporation. The Corporation pays a fee of 5% of the gross monthly revenue billed by the Corporation to LMC in 2009 and 2008 to cover these services which amounted to approximately \$415,000 and \$401,000 in 2009 and 2008, respectively. Further, the Corporation received contributions from The Loretto Foundation in 2009 and 2008 amounting to approximately \$2,000 and \$25,000, respectively. A summary of balances as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Due (to) from affiliates:		
Loretto Management Corporation	\$ 15,597	16,764
Advanced Institutional Support Services, LLC	87,991	86,551
Loretto Health and Rehabilitation Center	186,080	182,009
The Loretto Foundation	(2,920)	2,056
Nottingham Residential Health Care Facility	(31,016)	(48,217)
Loretto-Buckley Landing Corporation	942	389
Churchill Manor, Inc.	208	389
Loretto Adult Community, Inc.	870	389
Bernardine Apartments, Inc.	208	389
Loretto Geriatric Community Residences, Inc	208	-
Loretto Rest Realty Corporation	<u>-</u>	<u>(1,511)</u>
Due from affiliates, current portion	<u>\$ 258,168</u>	<u>239,208</u>

Amounts due to affiliates have been classified in the balance sheet based on expected payment dates.

(8) Employee Pension Plan

The Corporation participates in the Loretto Employee 401(k) Savings Plan (the Plan), a benefit plan covering non-union employees. For 2009, the employer contribution was 5% (3% safe harbor, 2% match) of eligible employee's compensation and includes a profit sharing contribution. For 2008, the employer contribution was 3% of eligible employee's compensation and included a profit sharing contribution. In connection with the Plan, pension expense amounted to approximately \$68,000 and \$44,000 for the years ended December 31, 2009 and 2008, respectively.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(8) Employee Pension Plan, Continued

The Corporation makes a contribution to the Service Employees Benefit Fund of Central New York, a defined benefit plan which covers its union employees. Contributions are based on hours worked and are a fixed amount per hour worked. Pension expense for the years ended December 31, 2009 and 2008 was approximately \$26,500 and \$28,100, respectively. The Corporation may be liable for its share of unfunded vested benefits, if any, related to the union plan. Information from the Union Plan's Administrator is not available to permit the Corporation to estimate its share, if any, of unfunded vested benefits.

(9) Contingent Liabilities

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services billed. Compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time.

General and Professional Liability Insurance

Effective September 12, 2009, the Corporation along with its affiliated Loretto entities, is insured for general and professional liability risks through a claims-made insurance policy with coverage limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Workers' Compensation Self-Insured Trusts

The Corporation and its affiliated Loretto entities (Loretto) participates as a group in self-insurance trusts (Trust) to provide workers' compensation coverage to its employees. During 2007, Loretto withdrew from the Healthcare Industry Trust of New York (HITNY) and entered into another Trust effective April 1, 2007. Each member participating in the Trusts are jointly and severally liable for the workers' compensation and employer's liability obligation of the Trust incurred during the member's period of membership in the Trust, irrespective of the subsequent termination of the membership in the Trust, the insolvency or bankruptcy of another member of the Trust or other facts or circumstances. Accordingly, any financial liability to the Trusts is contingent upon the financial viability of the individual members. The trust used reinsurance agreements to reduce its exposure to large losses with coverage provided in excess of \$750,000 in 2009 and 2008 and aggregate indemnity limits of \$2,000,000 for 2009 and 2008.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(9) Contingent Liabilities, Continued

Workers' Compensation Self-Insured Trusts, Continued

Loretto was notified in late 2007 that the New York State Workers' Compensation Board (WCB) had revoked the HITNY's self-insurance status, and the Trust was terminated effective December 31, 2007. According to the WCB, HITNY's losses exceeded its annual contributions in recent years, resulting in a significant deficit. During 2009, the WCB directed the performance of a forensic and financial review. These reviews were completed in December 2009 and the WCB has issued their Final Deficit Reconstruction and Assessment Report to Loretto, including a deficit assessment contractual agreement, that included their allocation of the pro rata deficit for the years that Loretto was in the Trust amounting to approximately \$7,022,000. The forensic and financial review documented what appeared to be fraudulent activity in the creation, administration and maintenance of the Trust, and found information with respect to the actuarial and audit services that resulted in inaccurate financial information and resulted in the acceleration of HITNY's deficit and the ultimate dissolution of HITNY. The WCB has commenced legal actions against the Trust Administrator, Compensation Risk Managers, LLC (CRM) to recover the amount of the deficit in the Trust which amounted to approximately \$221,000,000 at December 31, 2009. Further, Loretto has engaged legal counsel to commence legal actions against CRM, related parties and other parties alleged to be responsible for HITNY's accumulated deficit. To date, the various defendants in the legal action have yet to answer or respond. Loretto, including the Corporation, have disputed their liability and the amounts assessed in connection with their membership in HITNY as set forth in the HITNY Forensic Accounting and the 2009 Final Deficit Reconstruction and Assessment Report.

In February 2010, in order to move this dispute forward, the WCB presented former HITNY members, including Loretto, with a proposed Memorandum of Understanding (MOU). Pursuant to the terms of the MOU, former HITNY members who decide to participate would be required to pay, for a period of eighteen months, a monthly payment in an amount based on 39% of the 2009 Final Assessment charges against that member (\$3,147,000), at the rate corresponding to the longest repayment plan available. In the case of Loretto, the longest repayment plan available is over four years, for a total payment amount, including interest of 7%, amounting to approximately \$1,180,000 over the eighteen month period. During the eighteen month period, the WCB and each participating member would agree not to pursue litigation against each other, and all applicable statutes of limitations would be tolled. In addition, during the eighteen month period participating HITNY members will be permitted access to the WCB's records for purposes of reviewing how the Final Assessment was calculated. Loretto, including the Corporation, intends to vigorously challenge the assessments imposed by WCB to ensure that they are correct and as minimal as possible. Loretto and the Corporation have not remitted any payments with respect to the final deficit assessment at December 31, 2009 but the Corporation has recorded its allocable share of the amount determined under the MOU amounting to approximately \$251,000 reflected in the balance sheet as current and long term based on the Corporation's share of the monthly payment amount over the four year term. On March 24, 2010, the MOU was fully executed by both parties and the first payment was made as required at the end of March 2010.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(9) Contingent Liabilities, Continued

Workers' Compensation Self-Insured Trusts, Continued

Effective January 1, 2010, the Corporation switched from the Trust to a traditional guaranteed cost program to provide workers' compensation benefits to its employees.

(10) Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification requires disclosures that categorize assets and liabilities measured at fair value based on a fair value hierarchy. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. In general, fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. The Corporation considers a security that trades at least weekly to have an active market. This pricing methodology applies to the Corporation's Level 1 financial assets such as money market funds, certificate of deposits and government securities which amounted to approximately \$2,712,000 and \$3,480,000 at December 31, 2009 and 2008, respectively. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves and applies to the Corporation's Level 2 interest rate swap instruments which amounted to approximately \$1,614,000 and \$4,537,000 at December 31, 2009 and 2008, respectively. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. There were no Level 3 financial instruments at December 31, 2009 and 2008.

The following assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Accounts Payable and Accrued Expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates fair value.

Long-Term Debt: The fair value of the Corporation's fixed rate issue is estimated using discounted cash flow analysis, based on the current incremental borrowing rate of similar types of borrowing arrangements. The fair value at December 31, 2009 was approximately \$16,169,000.

THE NOTTINGHAM RETIREMENT COMMUNITY, INC.

Notes to Financial Statements

(11) Functional Expenses

Expenses relating to providing service and support for retired adults for the year ended December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Residential services	\$ 3,862,937	3,863,192
General and administrative	<u>4,967,808</u>	<u>4,389,020</u>
	<u>\$ 8,830,745</u>	<u>8,252,212</u>

(12) Statements of Cash Flows - Supplemental Disclosures

	<u>2009</u>	<u>2008</u>
Non-cash investing and financing activity for the years ended December 31:		
Property and equipment acquisitions in accounts payable at year end	\$ 48,640	170,841

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

Termination.

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

(Section 43)

Construction of the Project.

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

(Section 5)

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

The Project may be amended by agreements supplementing the Loan Agreement by and among the Authority, the Institution and SONYMA, to decrease, increase or otherwise modify the scope thereof. The Institution covenants that it shall not transfer, sell, encumber or convey any interest in the Project or any part thereof or interest therein, including development rights, without the prior written consent of the Authority and SONYMA. The Institution may incur Alternative Parity Indebtedness with the prior written approval of the Authority and SONYMA. The Institution shall provide such moneys 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 or other security in the Construction Fund established for such Project whether such moneys or other security are required as a result of an increase in the scope of such Project or otherwise. Such moneys or other security shall be paid or 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.

(Section 6)

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

1. Except to the extent that moneys are available therefor under the Resolution or under the Loan Agreement, including moneys in the Debt Service Fund or the Building and Equipment Reserve Fund, but excluding moneys from the Debt Service Reserve Fund and excluding interest accrued but unpaid on investments held in the Debt

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

- (a) On or before the date of delivery of the Bonds, the Authority Fee, as set forth in Exhibit D to the Loan Agreement;
- (b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of the Authority is necessary to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;
- (c) On the tenth day of each month commencing on the tenth day of the sixth month immediately preceding the date on which interest on Bonds becomes due, one-sixth ($1/6$) of the interest coming due on the Bonds on the immediately succeeding interest payment date on the Bonds; provided, however, that, if with respect to the Bonds there are more or less than six (6) such payment dates prior to the first interest payment on the Bonds, on the tenth day of each month prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of monthly payment dates prior to the first interest payment date on the Bonds;
- (d) On the tenth day of each month commencing on the tenth day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth ($1/12$) of the principal and Sinking Fund Installment on the Bonds coming due on such July 1; provided, however, that, if with respect to the Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on such Bonds, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of monthly payment dates prior to such July 1;
- (e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;
- (f) The Annual Administrative Fee through the final maturity date of the Bonds or until such Bonds are no longer Outstanding;
- (g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to subdivision 5 of Section 9 of the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to Section 23, 25 or 28 of the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing and the balance of the premium that will become due and payable to SONYMA on or after the first anniversary date of the delivery of the Bonds, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement, or of the Mortgage or the Resolution in accordance with the terms of the Loan Agreement, the Mortgage or the Resolution and (v) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Bond Series Certificate;
- (h) Promptly upon demand by the Authority (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to Section 29 of the Loan Agreement;
- (i) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by

the Code to be made and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds; and

- (j) On each January 10 and on each July 10 of a Bond Year, the amount necessary to make the amount on deposit in the Building and Equipment Reserve Fund equal to the Building and Equipment Reserve Fund Requirement pursuant to the terms of the Loan Agreement. Payments required to be made under the provisions of the Loan Agreement summarized in this paragraph may be made by delivery to the Trustee of Securities for deposit in the Building and Equipment Reserve Fund valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution, at not less than the payment then to be made.

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

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

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

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

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

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

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

(Section 9)

Reserve Funds.

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

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

The Institution shall at all times maintain on deposit in the Building and Equipment Reserve Fund Securities the value of which are not less than the Building and Equipment Reserve Fund Requirement. Deposits, withdrawals and substitutions of Securities in the Building and Equipment Reserve Fund shall be made in accordance with the Loan Agreement and with the Resolution.

If there is not an Event of Default by the Institution under the terms of the Loan Agreement, moneys in the Building and Equipment Reserve Fund not required to be deposited in the Debt Service Fund pursuant to the Resolution may be applied to defray costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating or improving the Project or the Mortgaged Property, but only in the following order of priority: (1) to meet building integrity and habitability needs; (2) to meet fire and life safety requirements; and (3) to meet other Project and Mortgaged Property related changes. The Institution shall submit a certificate of an Authorized Officer thereof to the Authority (i) requesting the proposed withdrawal, (ii) detailing the need(s) and use(s) for such withdrawal, and (iii) certifying that the Project and all Mortgaged Property comply with priority number 1 above; if the request is for monies to fund the appropriate costs for priority number 2 above; or certifying that the Project and all Mortgaged Property comply with both priority numbers 1 and 2 above if the request is for monies to fund the appropriate costs for priority number 3 above. If the certificate of the Authorized Officer of the Institution meets the reasonable satisfaction of the Authority, the Authority shall cause the certificate required as a condition precedent to a withdrawal from the Building and Equipment Reserve Fund to be filed with the Trustee in accordance with the Resolution and on terms and conditions reasonably required by the Authority. In the event of a withdrawal from the Building and Equipment Reserve Fund pursuant to the Resolution, the Institution shall, within five (5) days after receipt of notice from the Trustee of such withdrawal, pay the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund. In the event of a withdrawal from the Building and Equipment Reserve Fund, the Institution shall pay one-tenth (1/10) of the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund on the tenth (10th) day of each July and January commencing on the first such date immediately following such withdrawal until such withdrawal has been repaid or until the amount on deposit in the Building and Equipment Reserve Fund equals the Building and Equipment Reserve Fund Requirement. Notwithstanding the foregoing, the Authority, in its sole discretion, may permit the Institution to pay one-twelfth (1/12) or one-fourteenth (1/14) of the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund on the tenth (10th) day of each July and January commencing on the first such date immediately following such withdrawal until such withdrawal has been repaid or until the amount on deposit in the Building and Equipment Reserve Fund equals the Building and Equipment Reserve Fund Requirement. The Authority shall advise the Trustee in writing if the payments by the Institution are not to be made in ten (10) installments. Such payments may be made by delivering to the Trustee for deposit in the Building and Equipment Reserve Fund Securities valued as of a date not more than five (5) days prior to delivery thereof in accordance with Section 6.02 of the Resolution at not less than the amount of the payment then to be made.

(Section 10)

Security Interest in Gross Receipts.

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

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

(Section 11)

Collection of Gross Receipts.

1. Commencing on the date on which any Series of Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in the Debt Service Fund all Gross Receipts within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in

the Debt Service Fund an amount at least equal to the Debt Service Requirement. In the event that, pursuant to Section 29 of the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be so made, to the extent permitted by law, notwithstanding anything contained in Section 12 of the Loan Agreement, but the Institution shall continue to deliver to the Trustee for deposit in the Debt Service Fund any payments received by the Institution with respect to the Gross Receipts.

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

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

(Section 12)

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

In connection with the delivery of the Refunded Bonds, the Institution executed and delivered to the Authority the 1995 Mortgage, in recordable form, mortgaging the Mortgaged Property. In connection with the issuance of the Bonds, the Authority and the Institution received written consent of SONYMA to amend the 1995 Mortgage and prior to the delivery of the Bonds shall amend the 1995 Mortgage. The 1995 Mortgage as amended shall continue to constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances.

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

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance.

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

Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of such Project.

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

(Section 14)

Consent to Pledge and Assignment by the Authority.

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

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

Agreement and compliance with the provisions of the Loan Agreement and the Mortgage Modification Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Gross Receipts pursuant to the Loan Agreement and in the Mortgage or the moneys, Government Obligations, Exempt Obligations and other Securities delivered to the Trustee pursuant to Section 10 of the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

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

(Section 15)

Tax-Exempt Status.

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) to the extent relevant to the Institution's status as an organization described in Section 501(c)(3) of the Code (a) such letter or other notification has not been modified, limited or revoked, (b) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, and (c) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (iv) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other nonexempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Series 2010A Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Restrictions on Religious Use.

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would

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

(Section 21)

Covenant as to Insurance.

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

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

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

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

(Section 23)

Damage or Condemnation.

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

- (a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution, the Authority and SONYMA agree in writing that the Project, the Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project, the Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority and SONYMA. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority and SONYMA may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or from funds to be provided by the Institution; or
- (b) if no agreement for the repair, restoration or replacement of the Project, the Mortgaged Property or the affected portion thereof shall be reached by the Authority, the Institution and to SONYMA within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the Bond Series Certificate) shall be transferred from the Construction Fund in which such proceeds were deposited to the Debt Service Fund for the redemption at par of Bonds.

(Section 24)

Taxes and Assessments.

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

(Section 25)

Defaults and Remedies.

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

- (a) the Institution shall default in the timely payment of any amount payable pursuant to Section of the Loan Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid by the Institution in accordance with the Loan Agreement or with the Resolution (other than with respect to payments of amounts or deposits required to be made with respect to the Building and Equipment Reserve Fund);
- (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 (other than performance of any covenant or obligation with respect to the Building and Equipment Reserve Fund);
- (c) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an “event of default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;
- (d) the Institution shall be in default under the Mortgage and such default continues beyond any applicable grace period;
- (e) the Institution shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;
- (f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed within ninety (90) days;
- (g) the charter of the Institution shall be suspended or revoked;
- (h) a petition to dissolve the Institution shall be filed by the Institution with the legislature of the State or other governmental authority having jurisdiction over the Institution;
- (i) an order of dissolution of the Institution shall be made by the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;
- (j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

- (k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismitted or unstayed for an aggregate of thirty (30) days; or
- (l) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Bondholders shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal.

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

- (a) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;
- (b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;
- (c) withhold any or all further performance under the Loan Agreement;
- (d) maintain an action against the Institution to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Mortgage or of the Operating Agreement;
- (e) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund or the Building and Equipment Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, from the Bond Series Certificate or from the Resolution;
- (f) realize upon any security interest which the Authority may then have in the pledge and assignment of the Gross Receipts and the rights to receive the same, as provided in Sections 11 and 12 of the Loan Agreement, and by any one or more of the following actions: (i) enter the Institution's premises and, to the extent permitted by law, examine and make copies of the financial books and records of the Institution relating to the Gross Receipts and, to the extent of the assigned Gross Receipts, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal, and Sinking Fund Installments, if any, coming due with respect to the Bonds on the next January 1 and July 1, subject to the extent of Gross Receipts that may be accelerated, and may continue to do so commencing on each January 1 and July 1 to the extent of amounts due to the Authority under the Loan Agreement on the next January 1 and July 1, with respect to Gross Receipts, until such amounts are fully collected; provided, however, that written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors; and provided further that until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Gross Receipts owing from its account debtors; (iii) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance thereof and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract

right owing shall be paid to the Authority; (iv) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Gross Receipts in an amount equal to the Gross Receipts assigned under the Loan Agreement within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement including the fees and expenses of the Authority; and provided further that the Authority 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 Gross Receipts assigned under the Loan Agreement, or release, wholly or partially, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid Gross Receipts assigned under the Loan Agreement or the proceeds thereof;

- (g) to the extent permitted by law, (i) enter upon the Project and complete the construction of such Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect such Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution, (ii) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of the Project, and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of paragraph (g) of Section 29 of the Loan Agreement, (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of the Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of the Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of paragraph (g) of Section 29 of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney in fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by paragraph 2(g) of Section 29 of the Loan Agreement during the term thereof;
- (h) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, under the Mortgage, or by law, including foreclosure of the Mortgage, and any other action or proceeding permitted by the terms of the Loan Agreement, by the Mortgage or by law; and
- (i) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) to the extent permitted by law, enter the Project or Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant to the Loan Agreement or to the Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale.

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

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

(Section 29)

Investment of Moneys.

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

(Section 31)

Limitation on Agreements.

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

(Section 33)

Arbitrage.

The Institution covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the proceeds of the Series 2010A Bonds, which would cause the Series 2010A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Series 2010A Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not purchase Series 2010A Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in Section 7.12 of the Resolution.

(Section 34)

Amendments and Waivers to Loan Agreement.

The Loan Agreement may be amended only in accordance with Section 7.10 of the Resolution and each amendment shall be made by an instrument in writing signed by an Authorized Officers of the Institution and the Authority, an executed counterpart of which shall be filed with the Trustee. The Authority may not, without the prior written consent of SONYMA, modify, forbear or waive any obligation of the Institution under the Loan Agreement or under the Mortgage, without the prior written consent of SONYMA.

(Section 41)

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

Resolution and Bonds Constitute a Contract.

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Owners of any and all of such Bonds, all of which, regardless of the time or times of their maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other thereof except as expressly provided in the Resolution or permitted by the Resolution.

(Section 1.03)

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

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

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

(Section 1.04)

Additional Obligations; Alternative Parity Indebtedness.

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

(Section 2.04)

Pledge of Revenues.

The proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned by the Resolution to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the provisions of the Resolution and any Series Resolution. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and the funds and accounts established by the Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds.

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

- (1) Construction Fund;
- (2) Debt Service Fund;
- (3) Debt Service Reserve Fund;
- (4) Building and Equipment Reserve Fund; and
- (4) Arbitrage Rebate Fund.

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

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof.

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

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

(Section 5.03)

Application of Moneys in the Construction Fund.

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

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

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

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

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

- (a) a temporary certificate of occupancy with respect to the Project shall have been issued (or a final certificate of occupancy, if that is issued first) by the appropriate governmental authorities;
- (b) an Authorized Officer of the Institution shall have certified that a punch list, of items for final physical completion excluding items to be funded from moneys not on deposit in the Construction Account, has been agreed to by the Institution and that funds sufficient for completion of such punch list items are on deposit in the Construction Account; and
- (c) any applicable licensing entity of the State has completed its inspections with respect to the Project and has issued the appropriate operating certificate, license or other approval as may be required with respect to the Project.

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

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

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

Third: To the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

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

(Section 5.04)

Enforcement of SONYMA Insurance Policy.

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

(Section 5.05)

Deposit of Revenues and Allocation Thereof.

(1) The Revenues, Gross Receipts and any other moneys which, by any of the provisions of the Resolution, the Loan Agreement, or the SONYMA Insurance Policy, are required to be deposited in the Debt Service Fund, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund. To the extent not required to pay (a) the interest becoming due on Outstanding Bonds on the next succeeding interest payment date of the Bonds; (b) (i) in the case of amounts deposited in the Debt Service Fund during the period from the beginning of each Bond Year until January 1 thereof, the amount necessary to pay one half ($\frac{1}{2}$) of the principal amount becoming due on Outstanding Bonds on the next succeeding July 1; and (ii) in the case of amounts deposited in the Debt Service Fund after January 1 in a Bond Year and until the end of such Bond Year, the amount necessary to pay the principal amount becoming due on Outstanding Bonds on such July 1; (c) (i) in the case of amounts deposited in the Debt Service Fund during the period from the beginning of each Bond Year until January 1 thereof, the amount necessary to pay one half ($\frac{1}{2}$) of the Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1; and (ii) in the case of amounts deposited in the Debt Service Fund thereafter and until the end of such Bond Year, the amount necessary to pay the Sinking Fund Installments of Outstanding Bonds becoming due on such July 1; and (d) moneys which are required or have been set aside for the redemption of Bonds, moneys in the Debt Service Fund shall be paid by the Trustee on or before the tenth Business Day succeeding each interest payment date as follows and in the following order of priority:

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

Second: To the Building and Equipment Reserve Fund, the amount, if any necessary to make the amount on deposit therein equal to the Building and Equipment Reserve Fund Requirement; 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 any Mortgage in accordance with the terms thereof, (iii) the Annual Administrative Fee of the Authority, and (iv) any transfers or deposits made by the Authority to the Arbitrage Rebate Fund in

connection with any amounts required by the Code to be rebated to the Department of the Treasury of the United States of America; but only upon receipt by the Trustee of a certificate signed by the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to the provisions of the Resolution summarized in this paragraph.

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

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

(Section 5.06)

Debt Service Fund.

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

- (a) the interest due on all Outstanding Bonds on such interest payment date;
- (b) the principal amount due on all Outstanding Bonds on such interest payment date;
- (c) the Sinking Fund Installments, if any, due on all Outstanding Bonds on such interest payment date; and
- (d) moneys required for the redemption of Bonds in accordance with Section 5.10 of the Resolution.

The amounts paid out pursuant to Section 5.07 of the Resolution shall be irrevocably pledged to and applied to such payments.

(2) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on any Series of Outstanding Bonds, for the payment of principal of any Series of Outstanding Bonds, for the payment of Sinking Fund Installments of any Series of Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of any Series of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the applicable account of the Debt Service Reserve Fund, from the Building and Equipment Reserve Fund, or both, as appropriate and, in the following order of priority, deposit to the applicable account of the Debt Service Fund such amounts as will increase the amount in such account of the Debt Service Fund to an amount sufficient to make payment of interest on, and principal and Sinking Fund Installments of, the applicable Series of Outstanding Bonds and to make payment of the purchase price or Redemption Price of such Outstanding Bonds. The Trustee shall notify SONYMA of a withdrawal from the Debt Service Reserve Fund or the Building and Equipment Reserve Fund for such purposes.

(Section 5.07)

Debt Service Reserve Fund.

(1) The Trustee shall deposit to the credit of the Debt Service Reserve Fund or any account thereof, such proceeds of the sale of Bonds as shall be prescribed in the Resolution, the Series Resolution or the Bond Series Certificate relating to such Bonds, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund.

(2) Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments at the times and in the amounts required to comply with the provisions of the Resolution relating to the Debt Service Fund. In addition the Authority may, pursuant to the provisions of the Series Resolution, direct the Trustee to withdraw monies held for the credit of the Debt Service Reserve Fund. In addition, if, within the period subsequent to a default in the payment of debt service under the Loan Agreement but prior to any assignment of the Mortgage to the Trustee or SONYMA, any principal of, or interest on, any Series of Outstanding Bonds is due, part payment of such principal or interest shall be made by the Trustee from the withdrawal of monies held for the credit of the applicable account of the Debt Service Fund and the balance, if the Authority accordingly directs the Trustee, may be paid by the Trustee from the withdrawal of monies held for the credit of the applicable account of the Debt Service Reserve Fund. The Trustee shall notify the Authority and SONYMA of the amount of each transfer from the Debt Service Reserve Fund to the Debt Service Fund, and the balance remaining in the Debt Service Reserve Fund, no later than ten (10) calendar days after any such transfer.

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

(4) If, upon a valuation, the value of all moneys, Government Obligations and Exempt Obligations held for the credit of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, the Institution and SONYMA of such deficiency. The Institution shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(Section 5.08)

Building and Equipment Reserve Fund.

(1) The Trustee shall deposit to the credit of the Building and Equipment Reserve Fund any Revenues or Securities or other moneys received by the Trustee which, by the provisions of the Loan Agreement, are to be deposited in the Building and Equipment Reserve Fund.

(2) In the event that on the fourth Business Day preceding any interest payment date and after any withdrawal made pursuant to Subdivision 2 of Section 5.07 of the Resolution the amount in the applicable account of the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal on such Outstanding Bonds, for the payment of Sinking Fund Installments on such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the applicable account of the Debt Service Fund such amounts as will increase the amount in the applicable account of the Debt Service Fund to an amount sufficient to make such respective payment.

(3) The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving the Project and Mortgaged Property and its equipment and to the renewal, replacement and repair of damaged

property of such Project and such Mortgaged Property. Such amounts shall be applied in the following order of priority: (i) First, to meet building integrity and habitability needs; (ii) Second, to meet fire and life safety requirements; and (iii) Third, to meet other Project and Mortgaged Property related charges. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a certificate of the Authority, setting forth in reasonable detail the payments to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

(4) All or any portion of the Revenues and Securities held for the credit of the Building and Equipment Reserve Fund in excess of the maximum Building and Equipment Reserve Fund Requirement shall be withdrawn by the Trustee and deposited, upon direction of an Authorized Officer of the Authority, in the Arbitrage Rebate Fund, the Debt Service Reserve Fund, the Debt Service Fund and the Construction Fund or applied to the redemption of Bonds in accordance with such direction.

(Section 5.09)

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

(1) Moneys delivered to the Trustee, which by the provisions of the Loan Agreement, the Resolution or a Series Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose.

(2) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund, exclusive of amounts therein deposited for the redemption of Bonds, shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall, after the withdrawals made pursuant to paragraph 2 of Section 5.07 of the Resolution, apply moneys in the Debt Service Fund deposited therein for the redemption of Bonds (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority: to pay interest on, maturing principal of or Sinking Fund Installments of the Bonds, respectively.

(3) Subject to the provisions of the Resolution summarized in the preceding paragraph, moneys in the Debt Service Fund to be used for redemption of Bonds shall be applied by the Trustee to the purchase of Outstanding Bonds at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

(4) Notwithstanding the provisions of paragraph 3 of Section 5.10 of the Resolution, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision for the payment of Outstanding Bonds at the maturity or redemption date thereof pursuant to the defeasance provisions of the Resolution, the Authority may request the Trustee to take such action consistent with the defeasance provisions of the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the defeasance provisions of the Resolution. The Trustee, upon receipt of the irrevocable instructions of the Authority required by the defeasance provisions of the Resolution and the request of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such instructions and request.

(Section 5.10)

Arbitrage Rebate Fund.

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of Article V of the Resolution, shall transfer to the

Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

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

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

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify the Authority, SONYMA and the Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds as provided in the Resolution.

(Section 5.12)

Security for Deposits.

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

(Section 6.01)

Investment of Funds Held by the Trustee.

(1) Money held under the Resolution by the Trustee in the Debt Service Fund, the Construction Fund, the Debt Service Reserve Fund, the Arbitrage Rebate Fund and, if there is an Event of Default under the Loan Agreement, or, unless otherwise provided in the Series Resolution or the Bond Series Certificate, the Building and Equipment Reserve Fund shall, if permitted by law and as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations and any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys

will be required for the purposes of the Resolution; provided, further, that (x) Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, (y) Permitted Collateral held by the Trustee and required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

(3) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund shall be valued at the market value thereof, plus accrued interest.

(4) The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell or present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraph 1 of Section 6.02 of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

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

(Section 6.02)

Payment of Principal and Interest.

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

(Section 7.01)

Further Assurance.

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

(Section 7.04)

Accounts and Audits.

The Authority shall keep proper books of record and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to the Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institution, the Trustee or any Owner of a Bond or such Owner's representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the Institution. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund meets the applicable requirement therefore and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens.

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Loan Agreement and the SONYMA Insurance Policy that are to be deposited with the Trustee, the Gross Receipts or the funds established by the Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution and provided, further, that, pursuant to the provisions of the Loan Agreement, a lien or charge on Gross Receipts equal to that of the Bonds may be created pursuant to Section 6(2) of the Loan Agreement.

(Section 7.06)

Enforcement of Duties and Obligations of the Institution.

The Authority shall take all legally available action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of the Institution required by the Loan Agreement in the manner and at the times provided in the Loan Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Loan Agreement (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Owners of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund.

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of the Project and any moneys received in respect of damage to or condemnation of the Project shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds.

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is by the Resolution appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of the Resolution summarized in this paragraph shall be subject to the provisions of Section 3.01 of the Resolution.

(Section 7.09)

Amendment of Loan Agreement.

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Owners of the Outstanding Bonds without the prior written consent of SONYMA and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds, the consent of the Owners of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under the Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in Section 7.10 of the Resolution, the Loan Agreement may be amended, changed, modified or altered without the consent of the Owners of Outstanding Bonds or the Trustee but with the prior written consent of SONYMA. Specifically, the Loan Agreement may be amended, changed, modified or altered with the consent of the Trustee and SONYMA, but without the consent of the Owners of Outstanding Bonds, to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise providing, furnishing and equipping of any facilities constituting a part of the Project or which may be added to the Project or the issuance of the Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Upon execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with the Trustee.

For the purposes of Section 7.10 of the Resolution, the Bonds shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Loan Agreement if the same adversely affects or diminishes the rights of the Owners of the Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Owners of the Bonds.

For all purposes of Section 7.10 of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Owners of Bonds then Outstanding.

(Section 7.10)

Notice as to Event of Default Under Loan Agreement and as to Enforcement of SONYMA Insurance Policy.

The Authority shall notify SONYMA and the Trustee in writing that an "Event of Default" under the Loan Agreement, as such term is defined in the Loan Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof. The Authority shall keep SONYMA and the Trustee advised as to any actions taken to cure such Event of Default and/or to claim the benefits under the SONYMA Insurance Policy, including, but not limited to, the filing of a claim with respect thereto. The Authority shall, or shall cause the Trustee to, assign the Mortgage in default to SONYMA or take such other actions at such times and in such manner so as to avoid any loss or diminution of benefits receivable under the SONYMA Insurance Policy, and shall, or shall cause the Trustee to, take any and all action necessary or appropriate to ensure that all benefits of the SONYMA Insurance Policy are paid in cash in accordance with all applicable regulations of SONYMA and the terms of the SONYMA Insurance Policy.

The Authority shall not take any action in violation of the applicable regulations of SONYMA which would cause the termination of the SONYMA Insurance Policy.

(Section 7.11)

Adoption of Series Resolutions.

The Authority may adopt at any time or from time to time a Series Resolution to authorize the issue of a Series of Bonds as provided in the Resolution. A copy of each such Series Resolution shall be filed with the Trustee.

(Section 9.01)

Modification and Amendment Without Consent.

Notwithstanding any other provisions of Article IX or Article X of the Resolution, the Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

- (a) To add additional covenants and agreements of the Authority for the purpose or further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (b) To prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Revenues, or any pledge of any other moneys, securities or funds;
- (e) To modify any of the provisions of the Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, or
- (f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Supplemental Resolution or Series Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondowners in any material respect.

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondowners.

The provisions of the Resolution or a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondowners in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

General Provisions Relating to Supplemental Resolutions.

The Resolution or any Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of Article IX and Article X of the Resolution. Nothing contained in Article IX or Article X of the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized by the Resolution to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent, shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.04)

Powers of Amendment.

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 10.02 of the Resolution (i) of the Owners of at least two thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of all Owners of the Bonds Outstanding of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, at the time such consent is given. No such modification or amendment shall jeopardize the procurement or continuation of the SONYMA Insurance Policy. If any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity and Series remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 10.01 of the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment. For the purposes of Section 10.01 of the Resolution, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights

of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondowners.

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 10.01 of the Resolution to take effect when and as provided by the provisions of the Resolution summarized in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondowners for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondowners (but failure to mail such copy to any particular Bondowner shall not affect the validity of the Supplemental Resolution when consented to as provided in the provisions of the Resolution summarized in this paragraph). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consent of the Owners of the percentages of Outstanding Bonds specified in Section 10.01 of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding, or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 13.01 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 13.01 of the Resolution shall be conclusive proof that the consents have been given by the Owners of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondowner shall be binding upon the Bondowner giving such consent and, anything in Section 13.01 of the Resolution to the contrary notwithstanding, upon any subsequent Bondowner and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Bondowner giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the provisions of the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in Section 10.02 of the Resolution, shall be given to the Bondowners by the Authority by mailing such notice to the Bondowners (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in Section 10.02 of the Resolution) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee in provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph). If such notice is published, the Authority shall file with the Trustee proof of the publication thereof, and, if the same shall have been mailed to the Owners of Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by Section 10.02 of the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Owners of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a

legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section 10.02)

Modifications by Unanimous Consent.

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by the Authority and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 10.02 of the Resolution except that no notice to the Bondowners either by mailing or publication shall be required.

(Section 10.03)

Rights of SONYMA.

Notwithstanding anything contained in the Resolution to the contrary, all rights of SONYMA under the Resolution to have the Mortgage assigned to or on its behalf, to receive notices under the Resolution or to consent to or initiate extensions, remedies, waivers, actions and amendments under the Resolution shall cease, terminate and become null and void (i) if SONYMA fails to meet its obligations under the SONYMA Insurance Policy when due, or (ii) if SONYMA otherwise defaults or refuses to perform its other obligations in conformity with the SONYMA Insurance Policy and any such default shall continue beyond any applicable grace period after written notice from the Authority to SONYMA.

(Section 10.07)

Events of Default.

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

- (a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or
- (c) The Authority shall default in the due and punctual performance of the covenants contained in Section 7.12 of the Resolution and, as a result thereof, the interest on the Series 2010A Bonds shall no longer be excludable from gross income under Section 103 of the Code; or
- (d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds.

(Section 11.02)

Acceleration of Maturity.

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, other than an event of default specified in paragraph (c) or (d) of Section 11.02 of the Resolution, then and in every such case the Trustee may, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may with the written consent of the Owners of not less than twenty five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable to the Authority under the Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under Section 11.03 of the Resolution) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies.

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds, shall proceed (subject to the provisions of Section 8.06 of the Resolution), to protect and enforce its rights and the rights of the Bondowners under the Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power in the Resolution granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Mortgage assigned to the Trustee.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of the Bonds, with interest on the overdue payment of the principal of and interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce any judgment or decree against the Authority but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondowners.

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution, unless such Owner previously shall have given to the Trustee written notice of the event of default on account of which such

suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared by the Resolution, in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one or more Owners of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Owners of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Owner.

(Section 11.08)

Defeasance.

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

(2) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of Section 12.01 of the Resolution. All Outstanding Bonds of any Series or any maturity or a portion of a maturity shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of Section 12.01 of the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Owners of said Bonds at their respective last known addresses, if any, appearing on the registration books of the Authority, and, if directed by the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the

Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of Section 12.01 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the provisions of Section 12.01 of the Resolution. The Trustee shall select which Bonds of like Series and maturity shall be paid in accordance with Section 12.01 of the Resolution and in the manner provided in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to Section 12.01 of the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

(3) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(4) Subject to Section 10.07 of the Resolution, in the event SONYMA has paid an insurance claim under the SONYMA Insurance Policy such that no Bonds are Outstanding, the Trustee shall transfer to SONYMA the Mortgage and all other instruments related thereto.

(Section 12.01)

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Winston & Strawn LLP, New York, New York, Bond Counsel proposes to issue its opinion as to the Bank in substantially the following form:

[Letterhead of Winston & Strawn LLP]

____, 2010

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$14,015,000 aggregate principal amount of The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt) (the “Series 2010A Bonds”) and \$940,000 aggregate principal amount of The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable) (the “Series 2010B Bonds” and collectively, with the Series 2010A Bonds, the “Series 2010 Bonds”) by the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the “Act”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2010 Bonds are issued under and pursuant to the Act, The Nottingham Retirement Community, Inc., Revenue Bond Resolution of the Authority, adopted February 24, 2010 (the “Resolution”), the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010A (Tax-Exempt), duly adopted February 24, 2010 (the “Series 2010A Resolution”) and the Series Resolution Authorizing Up To \$19,000,000 The Nottingham Retirement Community, Inc. Revenue Bonds, Series 2010B (Federally Taxable), duly adopted February 24, 2010 (the “Series 2010B Resolution” and collectively, with the Series 2010A Resolution, the “Series Resolutions”). The Resolution and the Series Resolutions are herein collectively called the “Resolutions.” Capitalized terms used and not otherwise defined herein shall have the respective meanings given to them in the Resolutions. The Series 2010 Bonds are being issued for the purposes set forth in the Resolutions.

The Series 2010A Bonds are dated May 26, 2010, and shall bear interest from such date payable January 1, 2011 and semi-annually thereafter on July 1 and January 1 in each year until maturity or prior redemption. The Series 2010A Bonds shall mature on July 1 of each of the years and shall bear interest at the respective rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$820,000	4.00%
2014	\$850,000	4.00%
2015	\$885,000	4.00%
2016	\$920,000	4.00%
2017	\$955,000	5.00%
2018	\$1,005,000	5.00%
2019	\$1,055,000	5.00%
2020	\$1,105,000	5.00%
2021	\$1,160,000	5.00%
2022	\$1,220,000	5.00%
2023	\$1,280,000	5.00%
2024	\$1,345,000	5.00%
2025	\$1,415,000	5.00%

The Series 2010A Bonds are issuable in the form of fully registered bonds in the denomination of \$5,000 or integral multiples thereof. The Series 2010A Bonds are lettered R-A followed by the number of the Series 2010A Bonds. The Series 2010A Bonds are numbered consecutively from one upward in order of issuance.

The Series 2010B Bonds are dated May 26, 2010, and shall bear interest from such date payable January 1, 2011 and semi-annually thereafter on July 1 and January 1 in each year until maturity or prior redemption. The Series 2010B Bonds shall mature on July 1 of each of the years and shall bear interest at the respective rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$940,000	1.85%

The Series 2010B Bonds are issuable in the form of fully registered bonds in the denomination of \$5,000 or integral multiples thereof. The Series 2010B Bonds are lettered R-B followed by the number of the Series 2010B Bonds. The Series 2010B Bonds are numbered consecutively from one upward in order of issuance.

The Series 2010 Bonds are subject to optional and mandatory redemption prior to maturity as set forth in the Bond Series Certificate.

The Authority and The Nottingham Retirement Community, Inc. (the "Institution") have entered into a Loan Agreement, dated as of February 24, 2010 (the "Agreement"), providing, among other things, for loans to the Institution for the purposes permitted thereby and by the Resolutions. Pursuant to the Agreement, the Institution is required to make payments sufficient to pay the principal, premium, if any, and Sinking Fund Installments, if any, of and interest on the Series 2010 Bonds, as well as part of the Authority's annual administrative expenditures and costs, as the same become due.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds will be and remain excludable from gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, required ownership of a facility by a Section 501(c)(3) organization or a governmental unit, limits on the amount of tax-exempt financing from which certain users of the bond-financed facility (and related parties) may benefit, the rebate to the United States of certain earnings in respect of investments, restriction of the use of a portion of the living units for rental occupancy and restriction of the use of a portion of such units for occupancy by persons of very low income. Failure to comply with the continuing requirements may cause interest on the Series 2010A Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance. In the Resolutions and the Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code. The opinions set forth herein as to federal and state income tax matters assumes continuing compliance with such covenants and the accuracy, in all material respects, of such representations and certifications.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2010 Bonds thereunder.

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

3. The Series 2010 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 2010 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 Authority has the right and lawful authority and power to enter into the Agreement. The Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Based on the above stated assumptions, under existing statutes, regulations, rulings and court decisions, the interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2010A Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax on individuals and corporations. Interest on the Series 2010A Bonds owned by corporations (as defined under the Code with certain exceptions) is not included in corporate “adjusted current earnings” which is used in the computation of the alternative minimum tax on corporations and the environmental tax on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Series 2010A Bonds.

6. The interest on the Series 2010B Bonds will be included in the gross income for federal income tax purposes of the owners of the Series 2010B Bonds.

7. The interest on the Series 2010 Bonds under existing statutes is exempt from personal income taxes of the State of New York and its political subdivisions.

We have examined a specimen of an executed Series 2010A Bond and an executed Series 2010B Bond and, in our opinion, the form of said Bonds is 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 Agreement and the Series 2010 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally and as to the availability of any particular remedy. Except as stated in paragraphs 5, 6 and 7 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2010 Bonds.

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

Very truly yours,

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