

*In the opinion of Winston & Strawn LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Series 2012 Bonds is not includable in gross income for federal income tax purposes and is not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, assuming compliance with certain covenants and the accuracy of certain representations. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, interest on the Series 2012 Bonds is includable in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). See "TAX MATTERS" herein.*

**\$24,660,000**

**BUILD NYC RESOURCE CORPORATION  
PARKING FACILITY REVENUE BONDS  
(ROYAL CHARTER PROPERTIES, INC. - THE NEW YORK AND  
PRESBYTERIAN HOSPITAL LEASEHOLD PROJECT), SERIES 2012**

**Dated: Date of Delivery**

**Due: As shown on the  
inside front cover**

The Parking Facility Revenue Bonds (Royal Charter Properties, Inc. - The New York and Presbyterian Hospital Leasehold Project), Series 2012 (the "Series 2012 Bonds") are issuable by Build NYC Resource Corporation (the "Issuer") only in fully-registered form in the minimum denomination of \$5,000, or any integral multiple of \$5,000, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). Purchases of the Series 2012 Bonds will be made in book entry only form. See "BOOK ENTRY ONLY SYSTEM" herein. Interest on the Series 2012 Bonds will be payable by The Bank of New York Mellon, as trustee for the Series 2012 Bonds (the "Trustee"), on each June 15 and December 15, commencing December 15, 2012. The Series 2012 Bonds are subject to redemption prior to maturity, as described herein.

The Series 2012 Bonds are being issued for the benefit of Royal Charter Properties, Inc., a not-for-profit corporation organized under the laws of the State of New York ("RCPI"), pursuant to an Indenture of Trust, dated as of June 1, 2012 (the "Indenture"), between the Issuer and the Trustee, in order to provide the funds required to (i) refund certain outstanding bonds previously issued for the benefit of RCPI, and (ii) pay certain costs of issuing the Series 2012 Bonds, as more fully described herein. The proceeds from the sale of the Series 2012 Bonds are being loaned to RCPI pursuant to the Loan Agreement, dated as of June 1, 2012 (the "Loan Agreement"), between the Issuer and RCPI. RCPI will be obligated under the Loan Agreement and the Promissory Note, dated June 29, 2012 (the "Note"), executed by RCPI for the benefit of the Issuer and the Trustee, to make payments sufficient to pay the principal or Redemption Price of, and interest on, the Series 2012 Bonds, as and when the same become due. Pursuant to the Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the Loan Agreement (except for the Issuer's Reserved Rights) and the Note, including all rights to receive the payments of principal or Redemption Price of, and interest on, the Series 2012 Bonds to be made by RCPI pursuant to the Loan Agreement and the Note. In addition, as further security for the Series 2012 Bonds and RCPI's obligations under the Loan Agreement and the Note, RCPI, as mortgagor and debtor, will grant to the Trustee and the Issuer a Mortgage and Security Agreement, dated as of June 1, 2012.

The scheduled payment of principal of and interest on the Series 2012 Bonds when due will be guaranteed under a municipal bond new issue insurance policy to be issued concurrently with the delivery of the Series 2012 Bonds (the "Bond Insurance Policy") by Assured Guaranty Municipal Corp.



THE SERIES 2012 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, REDEMPTION PRICE AND INTEREST, SOLELY FROM THE PAYMENTS MADE BY RCPI UNDER THE LOAN AGREEMENT AND THE NOTE, FROM THE TRUST ESTATE (DESCRIBED IN THE INDENTURE) AND, IF NEEDED, BY PAYMENTS BY THE BOND INSURER UNDER THE BOND INSURANCE POLICY. NEITHER THE STATE OF NEW YORK (THE "STATE") NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE "CITY"), SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2012 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2012 BONDS. THE SERIES 2012 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2012 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2012 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

The Series 2012 Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of legality by Winston & Strawn LLP, New York, New York, Bond Counsel to the Issuer, and certain other conditions. Certain legal matters will be passed upon for the Issuer by Richard E. Marshall, Esq., its Vice President for Legal Affairs, and for RCPI by its Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that delivery of the Series 2012 Bonds will take place through the facilities of DTC on or about June 29, 2012.

**Goldman, Sachs & Co.**

**\$24,660,000**  
**BUILD NYC RESOURCE CORPORATION**  
**PARKING FACILITY REVENUE BONDS**  
**(ROYAL CHARTER PROPERTIES, INC. - THE NEW YORK AND**  
**PRESBYTERIAN HOSPITAL LEASEHOLD PROJECT), SERIES 2012**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<b><u>Maturity</u></b> <b><u>(December 15)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>1</sup>
2012	\$ 775,000	2.00%	.83%	12008FAA1
2013	785,000	2.00	1.18	12008FAB9
2014	800,000	3.00	1.54	12008FAC7
2015	825,000	3.00	1.78	12008FAD5
2016	850,000	4.00	2.05	12008FAE3
2017	880,000	5.00	2.28	12008FAF0
2018	930,000	5.00	2.58	12008FAG8
2019	975,000	5.00	2.86	12008FAH6
2020	1,025,000	5.00	3.09	12008FAJ2
2021	1,075,000	5.00	3.28	12008FAK9
2022	740,000	5.00	3.42	12008FAL7

**\$5,000,000 4.75% Term Bonds Due December 15, 2026 Yield 4.00%\* CUSIP<sup>1</sup>: 12008FAN3**  
**\$10,000,000 4.75% Term Bonds Due December 15, 2032 Yield 4.35%\* CUSIP<sup>1</sup>: 12008FAM5**

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\*Priced to first call date of December 15, 2022.

<sup>1</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the owners of the Series 2012 Bonds. The Issuer is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2012 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 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 2012 Bonds.

## REGARDING THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the Issuer, RCPI, The New York and Presbyterian Hospital (the “Hospital”), Assured Guaranty Municipal Corp. (the “Bond Insurer”) and other sources which are believed to be reliable. As to information from RCPI and the Hospital, it is to be construed as representations by such entities and not by the Issuer. The information contained in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Issuer, RCPI or the Hospital since the date hereof.

The Issuer has provided the information set forth under the headings “THE ISSUER” and “ABSENCE OF LITIGATION—The Issuer” and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth anywhere else in this Official Statement.

The Bond Insurer makes no representation regarding the Series 2012 Bonds or the advisability of investing in the Series 2012 Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading “SECURITY FOR THE SERIES 2012 BONDS—Bond Insurance” and “APPENDIX G—SPECIMEN BOND INSURANCE POLICY.”

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

**IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012 Bonds in any jurisdiction in which such offer, solicitation or sale is not qualified under applicable law or to any person to whom it is unlawful to make such offer, solicitation or sale.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.**

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information under the headings “ROYAL CHARTER PROPERTIES, INC.” and “THE NEW YORK AND PRESBYTERIAN HOSPITAL” and in “APPENDIX A—ROYAL CHARTER PROPERTIES INC.” and “APPENDIX B—THE

NEW YORK AND PRESBYTERIAN HOSPITAL.” Such forward looking statements speak only as of the date of this Official Statement.

Forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the entity making such statements. EACH ENTITY MAKING SUCH STATEMENTS DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN SUCH ENTITY’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

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## OFFICIAL STATEMENT

### RELATING TO

**\$24,660,000**

**BUILD NYC RESOURCE CORPORATION  
PARKING FACILITY REVENUE BONDS  
(ROYAL CHARTER PROPERTIES, INC. - THE NEW YORK AND  
PRESBYTERIAN HOSPITAL LEASEHOLD PROJECT), SERIES 2012**

*See APPENDIX D for definitions of certain of the words and terms used in this Official Statement.*

### INTRODUCTION

This Official Statement (including the front cover page, the inside front cover page and the Appendices) is being distributed in connection with the offering and sale of \$24,660,000 in aggregate principal amount of Build NYC Resource Corporation Parking Facility Revenue Bonds (Royal Charter Properties, Inc. - The New York and Presbyterian Hospital Leasehold Project), Series 2012 (the “Series 2012 Bonds”) of Build NYC Resource Corporation (the “Issuer”). The Issuer is a not-for-profit local development corporation created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York.

The Series 2012 Bonds are authorized to be issued under and pursuant to a resolution of the Issuer, adopted on June 12, 2012, authorizing the issuance and sale of the Series 2012 Bonds and an Indenture of Trust, dated as of June 1, 2012 (the “Indenture”), between the Issuer and The Bank of New York Mellon, as trustee (the “Trustee”). The Trustee will also serve as Paying Agent and Bond Registrar for the Series 2012 Bonds.

The proceeds from the sale of the Series 2012 Bonds will be used to (i) refund certain outstanding bonds previously issued for the benefit of RCPI, as more fully described below under the heading “THE REFUNDING PLAN,” and (ii) pay certain costs of issuing the Series 2012 Bonds.

The proceeds from the sale of the Series 2012 Bonds are being loaned to Royal Charter Properties, Inc., a not-for-profit corporation organized and existing under the laws of the State of New York (“RCPI”), pursuant to the Loan Agreement, dated as of June 1, 2012 (the “Loan Agreement”), between the Issuer and RCPI, for the purposes described below. RCPI will be obligated under the Loan Agreement and the Promissory Note, dated June 29, 2012 (the “Note”), executed by RCPI for the benefit of the Issuer and the Trustee, to make payments sufficient to pay the principal or Redemption Price of, and interest on, the Series 2012 Bonds, as and when the same become due. The obligations of RCPI to make payments pursuant to the Loan Agreement and the Note will be unconditional obligations of RCPI. See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.”

Pursuant to the Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the Loan Agreement (except for the Issuer’s Reserved Rights) and the Note, including all rights to receive the payments of principal or Redemption Price of, and interest on, the Series 2012 Bonds to be made by RCPI pursuant to the Loan Agreement and the Note.

In addition, as further security for the Series 2012 Bonds and RCPI’s obligations under the Loan Agreement and the Note, RCPI, as mortgagor and debtor, will grant to the Trustee and the Issuer a Mortgage and Security Agreement, dated June 1, 2012 (the “Mortgage”).

In addition, the scheduled payment of principal of and interest on the Series 2012 Bonds when due will be guaranteed under a municipal bond new issue insurance policy (the “Bond Insurance Policy”) to be issued concurrently with the delivery of the Series 2012 Bonds by Assured Guaranty Municipal Corp. (the

“Bond Insurer”). So long as the Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default in its payment obligations under the provisions of such Bond Insurance Policy, the Bond Insurer will be deemed the sole holder of the Series 2012 Bonds for purposes of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Bondholders are entitled to take upon an event of default under the Indenture. For a description of certain provisions of the Bond Insurance Policy and for certain information concerning the Bond Insurer, see “SECURITY FOR THE SERIES 2012 BONDS—Bond Insurance” herein and “APPENDIX G—SPECIMEN BOND INSURANCE POLICY”.

Concurrently with the execution and delivery of the Indenture, RCPI and The New York and Presbyterian Hospital (the “Hospital”) will enter into a Garage Lease Modification Agreement (the “Modification Agreement”) which will modify and amend the Lease Agreement, dated as of October 1, 2001, between RCPI and the Hospital which was entered into in connection with the issuance of the Prior Bonds (said Lease Agreement, as modified and amended by the Modification Agreement, being referred to as the “Garage Lease”). Pursuant to the Garage Lease, the Hospital will lease fifty percent of the parking spaces in the Facility (hereinafter described) being refinanced with the proceeds of the Series 2012 Bonds and will be obligated to pay to RCPI fixed rent in an amount equal to RCPI’s obligation to pay the principal of and interest on the Series 2012 Bonds (the “Fixed Rent”) during the term of the Garage Lease. In addition, pursuant to the provisions of the Garage Lease, in the event that the Hospital does not extend the term of the Garage Lease for an additional 46 months after its expiration date of February 28, 2029, the Hospital is obligated to pay to RCPI a termination fee (the “Fixed Rent Termination Fee”) in the amount of \$6,665,000, which corresponds to the remaining principal amount of the Series 2012 Bonds, on such expiration date. Pursuant to the Undertaking, Consent and Assignment Agreement, dated June 29, 2012, among RCPI, the Hospital, the Trustee and the Issuer (the “Undertaking, Consent and Assignment Agreement”), RCPI will make an absolute and irrevocable assignment to the Trustee of the Fixed Rent and the Fixed Rent Termination Fee and the right to receive the same and enforce the payment thereof.

The Series 2012 Bonds are special limited revenue obligations of the Issuer payable solely from the payments made by RCPI under the Loan Agreement and the Note, from the Trust Estate as described in the Indenture and, if needed, by payments by the Bond Insurer under the Bond Insurance Policy. See “SECURITY FOR THE SERIES 2012 BONDS” herein.

Subject to compliance by RCPI with the provisions of the Loan Agreement, the Issuer may, upon the request of RCPI, issue Additional Bonds under the Indenture (collectively with the Series 2012 Bonds, the “Bonds”) for the benefit of RCPI. See “SECURITY FOR THE SERIES 2012 BONDS—Additional Bonds” below.

The forepart of this Official Statement contains brief descriptions of the Issuer, RCPI, the Hospital, the Series 2012 Bonds, the Indenture, the Loan Agreement, the Note, the Bond Insurer, the Bond Insurance Policy and the Continuing Disclosure Agreement to be executed by RCPI on the date of issuance of the Series 2012 Bonds (the “Continuing Disclosure Agreement”). Additional information about RCPI is set forth in APPENDIX A. Additional information about the Hospital is set forth in APPENDIX B. The audited financial statements of RCPI as of and for the years ended December 31, 2011 and 2010, unaudited financial statements of RCPI for the three-month periods ended March 31, 2012 and 2011, and audited financial statements of the Hospital for the years ended December 31, 2011 and 2010 are included in APPENDIX C. Certain of the defined terms used herein are set forth in APPENDIX D. Summaries of certain provisions of the Loan Agreement and the Indenture are included as APPENDICES E and F, respectively. The proposed form of the Bond Insurance Policy is included as APPENDIX G. The proposed form of the Continuing Disclosure Agreement is included in APPENDIX H. The proposed form of opinion of Bond Counsel is included in APPENDIX I.

All references herein to the Indenture, the Loan Agreement, the Note, the Mortgage, the Bond Insurance Policy and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents, and the description of the Series 2012 Bonds herein is qualified in its entirety by reference to the



terms thereof and the information with respect thereto included in the Indenture and the Loan Agreement. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors' rights generally. Copies of the Indenture and the Loan Agreement may be obtained from the Trustee at its offices at 101 Barclay Street, Floor 7W, New York, New York 10286, Attention: Corporate Trust Department.

This introduction is subject in all respects to the additional information contained in this Official Statement, including APPENDICES A through I.

### **THE ISSUER**

The Issuer, created in 2011, is a not-for-profit local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York (the "State") at the direction of the Mayor of The City of New York (the "City"). The Issuer is authorized by the Not-For-Profit Corporation Law of the State and the Issuer's Certificate of Incorporation to promote community and economic development, and the creation of jobs in the non-profit and profit sectors for residents of the City by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects.

The Issuer has offered and plans to offer other obligations from time to time to finance projects for other not-for-profit and, under certain circumstances, manufacturing and industrial businesses, with respect to facilities located in the City. Such obligations will be issued pursuant to and secured by instruments separate and apart from the Indenture.

The Issuer has not prepared or assisted in the preparation of this Official Statement, except for statements under the sections captioned "THE ISSUER" and "ABSENCE OF LITIGATION—The Issuer" and, except as aforesaid, the Issuer is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Series 2012 Bonds, the Issuer has not otherwise assisted in the public offer, sale or distribution of the Series 2012 Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2012 Bonds.

THE SERIES 2012 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE PAYMENTS MADE BY RCPI UNDER THE LOAN AGREEMENT AND THE NOTE, FROM THE TRUST ESTATE AS DESCRIBED IN THE INDENTURE AND, IF NEEDED, BY PAYMENTS BY THE BOND INSURER UNDER THE BOND INSURANCE POLICY. SEE "SECURITY FOR THE SERIES 2012 BONDS" HEREIN. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR THE INTEREST ON, THE SERIES 2012 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING AUTHORITY.

### **ROYAL CHARTER PROPERTIES, INC.**

RCPI has provided the information in APPENDIX A attached hereto for use herein. While the information is believed to be reliable, none of the Issuer, the Bond Insurer, the Underwriter or any of their respective counsel, members, directors, officers or employees makes any representation as to the accuracy or sufficiency of such information.

### **THE NEW YORK AND PRESBYTERIAN HOSPITAL**

The Hospital has provided the information in APPENDIX B attached hereto for use herein. While the information is believed to be reliable, none of the Issuer, the Bond Insurer, the Underwriter or any of their

respective counsel, members, directors, officers or employees makes any representation as to the accuracy or sufficiency of such information.

### **THE REFUNDING PLAN**

A portion of the proceeds from the sale of the Series 2012 Bonds will be used to refund the New York City Industrial Development Agency Parking Facility Revenue Bonds (Royal Charter Properties, Inc.—The New York and Presbyterian Hospital Leasehold Project) Series 2001 (the “Prior Bonds”), issued for the benefit of RCPI in the original aggregate principal amount of \$31,915,000 and outstanding on the date hereof in the aggregate principal amount of \$24,660,000.

The Prior Bonds were issued for the purpose of: (i) financing the renovation, improvement, equipping and expansion of a parking garage located at 115-143 Fort Washington Avenue, New York, New York, which, as renovated and expanded, is an approximately 501,375-square foot, ten-level (including roof), 1,950-space parking garage (the “Facility”), (ii) the funding of a debt service reserve fund, (iii) the financing of capitalized interest and (iv) the financing of certain costs of issuance of the Prior Bonds.

A portion of the proceeds from the sale of the Series 2012 Bonds will be remitted to the trustee for the Prior Bonds (the “Prior Trustee”) on the date of issuance of the Series 2012 Bonds. The Prior Trustee will apply such proceeds, together with other funds on deposit with the Prior Trustee and available therefor, to the redemption of the Prior Bonds within ninety (90) days from the date of issuance of the Series 2012 Bonds at a redemption price equal to one hundred two percent (102%) of the principal amount thereof, plus accrued interest to the redemption date.

### **THE SERIES 2012 BONDS**

*The information under this heading is subject in its entirety to the information set forth below under the heading “BOOK ENTRY ONLY SYSTEM” while the Series 2012 Bonds are held in DTC’s book entry only system.*

#### **General**

The Series 2012 Bonds shall be dated their date of delivery and will bear interest from such date, payable initially on December 15, 2012 and semiannually thereafter on each June 15 and December 15 (each an “Interest Payment Date”), computed on the basis of a 360-day year of twelve 30-day months. The Series 2012 Bonds shall mature (subject to prior redemption) in the principal amounts and on the dates set forth on the inside front cover page of this Official Statement. The Series 2012 Bonds shall be issuable only in fully registered, book entry only form in a minimum denomination of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). See “BOOK ENTRY ONLY SYSTEM” herein.

Each Series 2012 Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Series 2012 Bond and only upon the books of the Issuer, which shall be kept for the purpose at the designated corporate trust office of the Trustee, by the registered owner thereof in person or by his duly authorized attorney-in-fact, upon surrender of such Series 2012 Bond together with a written instrument of transfer in the form appearing on such Series 2012 Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon. Upon the transfer of any Series 2012 Bond, the Trustee shall prepare and issue in the name of the transferee one or more new Series 2012 Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2012 Bond.

Any Series 2012 Bond, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer in the form appearing on such Series 2012 Bond, duly executed by the registered owner or such registered owner’s duly authorized attorney-in-fact, with a guaranty of the signature thereon, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of

Series 2012 Bonds of the same maturity and interest rate in the Authorized Denomination. However, the Trustee will not be required to (i) transfer or exchange any Series 2012 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series 2012 Bonds to be redeemed, or (ii) transfer or exchange any Series 2012 Bonds selected, called or being called for redemption in whole or in part.

The Issuer, the Bond Registrar, the Trustee and any Paying Agent may deem and treat the Person in whose name any Series 2012 Bond shall be registered as the absolute owner of such Series 2012 Bond, whether such Series 2012 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of, Sinking Fund Installments for, and interest on such Series 2012 Bond and for all other purposes, and all payments made to any such registered owner or upon such registered owner's order shall be valid and effectual to satisfy and discharge the liability upon such Series 2012 Bond to the extent of the sum or sums so paid, and neither the Issuer, RCPI, the Bond Registrar, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

### **Payment of Principal and Interest**

The principal of, Sinking Fund Installments for, and the Redemption Price, if applicable, on all Series 2012 Bonds shall be payable by check or draft at maturity or upon earlier redemption to the Persons in whose names such Series 2012 Bonds are registered on the bond registration books maintained by the Trustee as Bond Registrar at the maturity or redemption date thereof, upon the presentation and surrender of such Series 2012 Bonds at the designated corporate trust office of the Trustee, as Paying Agent.

The interest payable on each Series 2012 Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Series 2012 Bond, as shown on the bond registration books of the Trustee as Bond Registrar at the close of business on the Record Date for such interest, (1) by check or draft mailed to such registered owner at such registered owner's address as it appears on the bond registration books or at such other address as is furnished to the Trustee in writing by such owner, or (2) by wire transfer at the written request addressed to the Trustee by any registered owner of Series 2012 Bonds in the aggregate principal amount of at least \$1,000,000 that all such payments be made by wire transfer, no later than five (5) Business Days before an Interest Payment Date, but no later than a Record Date for any interest payment.

Interest on any Series 2012 Bond that is due and payable but not paid on the date due ("Defaulted Interest") shall cease to be payable to the owner of such Series 2012 Bond on the Record Date and shall be payable to the owner in whose name such Series 2012 Bond is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest, which Special Record Date shall be fixed as provided in the Indenture.

### **Redemption Provisions**

#### *Optional Redemption*

The Series 2012 Bonds shall be subject to redemption, on or after December 15, 2022, in whole at any time or in part on any Interest Payment Date (but if in part, in integral multiples of \$5,000 and in the minimum principal amount of \$5,000), at the option of the Issuer (which option shall be exercised only upon the giving of notice by RCPI of its intention to prepay loan payments due under the Loan Agreement and the Note), at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Series 2012 Bonds to be redeemed, plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Installment Redemption*

The Series 2012 Bonds maturing on December 15, 2026 and December 15, 2032 shall be subject to mandatory redemption by the Issuer prior to maturity, in part by lot, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments on the dates and in the principal amounts set forth in the following tables, provided that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture:

SERIES 2012 TERM BONDS MATURING DECEMBER 15, 2026

<u>Year</u>	<u>Amount</u>
2022	\$ 390,000
2023	1,175,000
2024	1,230,000
2025	1,290,000
2026*	915,000

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\* Maturity

SERIES 2012 TERM BONDS MATURING DECEMBER 15, 2032

<u>Year</u>	<u>Amount</u>
2026	\$ 435,000
2027	1,415,000
2028	1,485,000
2029	1,550,000
2030	1,625,000
2031	1,705,000
2032*	1,785,000

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\* Maturity

*Extraordinary Optional Redemption*

The Series 2012 Bonds are subject to redemption in whole prior to maturity, at the option of the Issuer exercised at the direction of RCPI (which option shall be exercised only upon the giving of notice by RCPI of its intention to prepay loan payments due under the Loan Agreement and the Note), upon notice or waiver of notice as provided in the Indenture, at a Redemption Price of one hundred percent (100%) of the unpaid principal amount thereof, plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) the Facility shall have been damaged or destroyed to such extent that, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee, (A) the Facility cannot be reasonably restored within a period of one year from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (B) RCPI is thereby prevented or likely to be prevented from carrying on its normal operation at the Facility for a period of one year from the date of such damage or destruction, or (C) the restoration cost of the Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(ii) title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to

result, in RCPI being thereby prevented or likely to be prevented from carrying on its normal operation at the Facility for a period of one year from the date of such taking or condemnation, as evidenced by a certificate of an Independent Engineer filed with the Issuer and the Trustee; or

(iii) as a result of changes in the Constitution of the United States of America or of the State or of legislative or executive action of the State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by RCPI, the Loan Agreement or the Note becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties thereto as expressed therein or unreasonable burdens or excessive liabilities are imposed upon RCPI by reason of the operation of the Facility.

If the Series 2012 Bonds are to be redeemed as a result of the occurrence of any of the events described above, RCPI shall deliver to the Issuer and the Trustee a certificate of an Authorized Representative of RCPI stating that, as a result of the occurrence of the event giving rise to such redemption, RCPI has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

#### *Mandatory Redemption from Excess Proceeds and Certain Other Amounts*

The Series 2012 Bonds shall be redeemed at any time in whole or in part by lot prior to maturity in the event and to the extent:

(i) excess title insurance or property insurance proceeds or condemnation awards shall remain after the application thereof pursuant to the Loan Agreement, the Note and the Indenture, or

(ii) excess proceeds shall remain after the release or substitution of any Facility Realty or any Facility Personalty,

in each case at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2012 Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

#### *Mandatory Redemption Upon Occurrence of Certain Other Events*

The Series 2012 Bonds are also subject to mandatory redemption in whole prior to maturity, at the option of the Issuer, in the event (i) the Issuer shall determine that (w) RCPI is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not for the Approved Project Operations, (x) RCPI, any Principal of RCPI or any Person that directly or indirectly Controls, is Controlled by or is under common Control with RCPI has committed a material violation of a material Legal Requirement, (y) any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (z) a Required Disclosure Statement delivered to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, or (ii) RCPI shall fail to obtain or maintain the public liability insurance with respect to the Facility required under the Loan Agreement, and, in the case of clause (i) or (ii) above, RCPI shall fail to cure any such default or failure within the applicable time periods set forth in the Loan Agreement following the receipt by RCPI of written notice of such default or failure from the Issuer and a demand by the Issuer on RCPI to cure the same. Any such redemption shall be made upon notice or waiver of notice to the Bondholders as provided in the Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Series 2012 Bonds required to be redeemed, together with interest accrued thereon to the date of redemption.

#### *Mandatory Taxability Redemption*

Upon the occurrence of a Determination of Taxability, the Series 2012 Bonds shall be redeemed prior to maturity on any date within one hundred twenty (120) days following such Determination of Taxability, at a

Redemption Price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest at the Taxable Rate from the occurrence of the Event of Taxability to the date of redemption. The Series 2012 Bonds shall be redeemed in whole unless redemption of a portion of the Series 2012 Bonds Outstanding would have the result that interest payable on the Series 2012 Bonds remaining Outstanding after such redemption would not be includable in the gross income of any Holder of a Series 2012 Bond. In such event, the Series 2012 Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2012 BONDS, ALL PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, SINKING FUND INSTALLMENTS FOR, AND INTEREST ON THE SERIES 2012 BONDS WILL BE MADE DIRECTLY TO DTC. DISBURSEMENT OF SUCH PAYMENTS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) WILL BE THE RESPONSIBILITY OF DTC, AND DISBURSEMENT OF SUCH PAYMENTS TO BENEFICIAL OWNERS (AS HEREINAFTER DEFINED) WILL BE THE RESPONSIBILITY OF THE DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS (AS HEREINAFTER DEFINED). SEE "BOOK ENTRY ONLY SYSTEM" HEREIN.

#### *General Redemption Provisions*

In the event of redemption of less than all the Outstanding Series 2012 Bonds of a maturity, the particular Series 2012 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that (i) Series 2012 Bonds to be redeemed from Sinking Fund Installments shall be redeemed by lot, (ii) to the extent practicable, the Trustee shall select Series 2012 Bonds for redemption such that no Series 2012 Bond shall be of a denomination of less than the Authorized Denomination and (iii) the selection of Series 2012 Bonds shall be subject to the approval of the Bond Insurer if there is a redemption in part and the Bond Insurer is insuring less than all of the Outstanding Series 2012 Bonds. In the event of redemption of less than all the Outstanding Series 2012 Bonds stated to mature on different dates, the principal amount of such Series 2012 Bonds to be redeemed shall be applied in inverse order of maturity of the Outstanding Series 2012 Bonds to be redeemed and by lot within a maturity. The portion of Series 2012 Bonds to be redeemed in part shall be in the principal amount of the minimum Authorized Denomination thereof or some integral multiple thereof and, in selecting Series 2012 Bonds for redemption, the Trustee shall treat each such Series 2012 Bond as representing that number of Series 2012 Bonds which is obtained by dividing the principal amount of such registered Series 2012 Bond by the minimum Authorized Denomination thereof (referred to below as a "unit") then issuable rounded down to the integral multiple of such minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2012 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Series 2012 Bond shall forthwith surrender such Series 2012 Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Series 2012 Bond or Series 2012 Bonds in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2012 Bond. New Series 2012 Bonds of the same maturity representing the unredeemed balance of the principal amount of such Series 2012 Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Series 2012 Bond of a denomination greater than a unit shall fail to present such Series 2012 Bond to the Trustee for payment and exchange as aforesaid, such Series 2012 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

When redemption of any Series 2012 Bond is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the name of the Series 2012 Bonds, CUSIP number, Series 2012 Bond numbers, the date of original issue of such Series 2012 Bonds, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2012 Bonds or portions thereof to be redeemed, the redemption date, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number

of a contact person at the Trustee) and specifying the principal amounts of the Series 2012 Bonds or portions thereof to be payable and, if less than all of the Series 2012 Bonds of any maturity are to be redeemed, the numbers of such Series 2012 Bonds or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2012 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Issuer, (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption, to the registered owners of any Series 2012 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of such Series 2012 Bonds with respect to which proper mailing was effected; and (ii) cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices. Any notice mailed as provided in the Indenture and described above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2012 Bond shall not be presented for payment of the Redemption Price within sixty (60) days of the redemption date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any amounts held by the Trustee due to non-presentment of Series 2012 Bonds for payments on or after any redemption date shall be retained by the Trustee for a period of at least one year after the final maturity date of such Series 2012 Bonds. Further, if any Holders of Series 2012 Bonds shall constitute registered depositories, the notice of redemption described in the first sentence of this paragraph shall be mailed to such Holders at least two (2) days prior to the mailing of such notice to all Holders.

If notice of redemption shall have been given as aforesaid, the Series 2012 Bonds called for redemption shall become due and payable on the redemption date; provided, however, that with respect to any optional redemption of the Series 2012 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2012 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem the Series 2012 Bonds. In the event that such notice of optional redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of optional redemption shall be unconditional, or if the conditions of a conditional notice of optional redemption shall have been satisfied, then upon presentation and surrender of the Series 2012 Bonds so called for redemption at the place or places of payment, such Series 2012 Bonds shall be redeemed.

Notice having been given in the manner provided in the Indenture and described above, the Series 2012 Bonds or portions thereof so called for redemption shall become due and payable on the redemption dates so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Series 2012 Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, (i) interest on the Series 2012 Bonds or portions thereof so called for redemption shall cease to accrue and become payable, (ii) the Series 2012 Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under the Indenture, and (iii) the Holders of the Series 2012 Bonds or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the redemption date. If said moneys shall not be so available on the redemption date, such Series 2012 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

## **BOOK ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 2012 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 certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 2012 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 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to



augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, defaults and proposed amendments to bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 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 Trustee 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 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and Redemption Prices on the Series 2012 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 Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriter, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and Redemption Prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book entry system has been obtained from sources the Issuer and the Underwriter believe to be reliable, but the Issuer and the Underwriter take no responsibility for the accuracy thereof.

**NO REPRESENTATION IS MADE BY THE ISSUER, THE TRUSTEE, RCPI OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF THE INFORMATION SET FORTH ABOVE UNDER THIS HEADING NOR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.**

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and RCPI's obligations under the Loan Agreement and the Note, to the extent of the payments so made.

Prior to any discontinuation of the book entry only system described above, the Trustee and the Issuer may treat DTC or its nominee, Cede & Co., as, and deem DTC or its nominee, Cede & Co., to be, the absolute owner of the Series 2012 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of and interest on the Series 2012 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2012 Bonds, (iii) registering transfers with respect to the Series 2012 Bonds and (iv) the selection of Series 2012 Bonds for redemption.

NONE OF THE ISSUER, THE TRUSTEE, RCPI OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO (i) THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT WITH RESPECT TO ANY BENEFICIAL OWNERSHIP INTEREST IN ANY SERIES 2012 BOND, (ii) THE DELIVERY TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, AS SHOWN IN THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO ANY SERIES 2012 BOND, INCLUDING, WITHOUT LIMITATION, ANY NOTICE OF REDEMPTION OR ANY EVENT WHICH WOULD OR COULD GIVE RISE TO AN OPTION WITH RESPECT TO ANY SERIES 2012 BOND, (iii) THE PAYMENT OF ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, AS SHOWN IN THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON ANY SERIES 2012 BOND OR (iv) ANY CONSENT GIVEN BY DTC AS REGISTERED OWNER.

## **SECURITY FOR THE SERIES 2012 BONDS**

### **General**

Concurrently with the issuance of the Series 2012 Bonds, the Issuer will enter into the Loan Agreement with RCPI pursuant to which the Issuer will loan the proceeds from the sale of the Series 2012 Bonds to RCPI. RCPI will be unconditionally obligated under the Loan Agreement and the Note to make semiannual payments (except upon the circumstances set forth below when such payments shall be made monthly) to the Trustee sufficient to pay the principal or Redemption Price of, and interest on, the Bonds, including the Series 2012 Bonds and any Additional Bonds, as the same become due. See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.” Pursuant to the Indenture, the Issuer will assign to the Trustee all of its right, title and interest in and to the Loan Agreement (except for the Issuer’s Reserved Rights) and the Note, including all amounts payable thereunder with respect to the principal or Redemption Price of, and interest on, the Bonds. In addition, the Series 2012 Bonds, as and to the extent provided in the Bond Insurance Policy, are payable from amounts, if any, paid by the Bond Insurer under the Bond Insurance Policy.

### **Mortgage**

Pursuant to the Mortgage, RCPI will grant to the Trustee and the Issuer a lien and security interest in the Facility to secure the payment of principal or Redemption Price of, and interest on, the Series 2012 Bonds and the performance of RCPI’s obligations under the Loan Agreement and the Note. Under the conditions specified in the Mortgage, RCPI may obtain the release from the lien of the Mortgage of a certain parcel not required for the operation of the Facility. Reference is made to the Mortgage for the terms and conditions thereof. RCPI has the right to release certain property not required for the operation of the Facility upon satisfaction of certain conditions enumerated in the Loan Agreement. The land and improvements thereon, if any, to be released shall not include any part of the Facility. Pursuant to an Assignment of Mortgage and Security Agreement, the Issuer will assign its interest in the Mortgage to the Trustee.

### **Garage Lease**

Pursuant to the Garage Lease, the Hospital is obligated to pay the Fixed Rent during the term of the Garage Lease and, in the event that the Hospital does not extend the term of the Garage Lease for an additional

46 months after its expiration date of February 28, 2029, the Fixed Rent Termination Fee. The Hospital's obligation under the Garage Lease is absolute and not subject to reduction or setoff. Reference is made to the Garage Lease for the terms and conditions thereof.

### **Undertaking, Consent and Assignment Agreement**

Upon the issuance of the Series 2012 Bonds, RCPI, the Hospital, the Trustee and the Issuer will enter into the Undertaking, Consent and Assignment Agreement, pursuant to which RCPI will make an absolute assignment to the Trustee of RCPI's rights to the Fixed Rent payments and the Fixed Rent Termination Fee under the Garage Lease and the right to enforce the Hospital's payment obligation. The Undertaking, Consent and Assignment Agreement further provides for (i) the Hospital's consent to the assignment, and (ii) the continued payment by the Hospital of the Fixed Rent and the Fixed Rent Termination Fee pursuant to the Garage Lease under all circumstances. The Hospital covenants in the Undertaking, Consent and Assignment Agreement that (a) there shall be no sale, lease or other disposition of all or a substantial part of the property or health-care operations of the Columbia-Presbyterian campus of the Hospital without the consent of the Bond Insurer, and (b) the Hospital remains obligated to pay the Fixed Rent and the Fixed Rent Termination Fee in the event of termination, disaffirmance or rejection of the Garage Lease in a bankruptcy court proceeding involving RCPI. Reference is made to the Undertaking, Consent and Assignment Agreement for the terms and conditions thereof.

### **Bond Insurance**

#### *Bond Insurance Policy*

Concurrently with the issuance of the Series 2012 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2012 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2012 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### *The Bond Insurer*

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance

with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

#### Capitalization of AGM

At March 31, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,123,869,658 and its total net unearned premium reserve was approximately \$2,275,867,231, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, and for the quarterly period ended March 31, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

#### Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2012 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption “SECURITY FOR THE SERIES 2012 BONDS—Bond Insurance—The Bond Insurer” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### Miscellaneous Matters

AGM or one of its affiliates may purchase a meaningful portion of the Series 2012 Bonds or any uninsured bonds offered under this Official Statement and may hold such Series 2012 Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Series 2012 Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2012 Bonds or the advisability of investing in the Series 2012 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “SECURITY FOR THE SERIES 2012 BONDS—Bond Insurance”.

#### **Additional Bonds**

The Issuer may, upon the request of RCPI and satisfaction of the conditions set forth in the Indenture, issue Additional Bonds under the Indenture for the purpose of (i) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (ii) providing extensions, additions or improvements to the Facility or (iii) refunding Outstanding Bonds. Additional Bonds will be secured on a parity basis with the Series 2012 Bonds under the Indenture.

#### **Limited Obligations**

THE SERIES 2012 BONDS ARE SPECIAL LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE AS TO PRINCIPAL, REDEMPTION PRICE AND INTEREST, SOLELY FROM THE PAYMENTS MADE BY RCPI UNDER THE LOAN AGREEMENT AND THE NOTE, FROM THE TRUST ESTATE AS DESCRIBED IN THE INDENTURE AND, IF NEEDED, BY PAYMENTS BY THE BOND INSURER UNDER THE BOND INSURANCE POLICY. NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2012 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2012 BONDS. THE SERIES 2012 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2012 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2012 BONDS AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2012 Bonds, together with certain other funds, are expected to be applied as follows:

### SOURCES OF FUNDS

Par Amount of Series 2012 Bonds	\$24,660,000.00
Original Issue Premium	1,587,340.00
Funds Held by Prior Trustee	2,291,889.25
Other available funds of RCPI	<u>37,908.20</u>

**TOTAL SOURCES** \$28,577,137.45

### USES OF FUNDS

Redemption of Prior Bonds	\$27,523,069.53
Costs of Issuance <sup>(1)</sup>	<u>1,054,067.92</u>

**TOTAL USES** \$28,577,137.45

(1) Includes amounts to be paid for Trustee fees, rating agency fees, legal counsel fees, bond insurance premium, printing costs and other fees and expenses, including the Underwriter's fee.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service on the Series 2012 Bonds and other long-term indebtedness of RCPI that will be outstanding upon the issuance of the Series 2012 Bonds and the current refunding of the Prior Bonds.

YEAR (DECEMBER 15)	SERIES 2012 BONDS		OTHER INDEBTEDNESS		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2012	\$ 775,000	\$ 510,772.78	\$ 717,384	\$1,713,814	\$3,716,970.78
2013	785,000	1,092,200.00	129,624	250,553	2,257,377.00
2014	800,000	1,076,500.00	137,005	223,172	2,236,677.00
2015	825,000	1,052,500.00	3,916,710	215,371	6,009,581.00
2016	850,000	1,027,750.00			1,877,750.00
2017	880,000	993,750.00			1,873,750.00
2018	930,000	949,750.00			1,879,750.00
2019	975,000	903,250.00			1,878,250.00
2020	1,025,000	854,500.00			1,879,500.00
2021	1,075,000	803,250.00			1,878,250.00
2022	1,130,000	749,500.00			1,879,500.00
2023	1,175,000	693,975.00			1,868,975.00
2024	1,230,000	638,162.50			1,868,162.50
2025	1,290,000	579,737.50			1,869,737.50
2026	1,350,000	518,462.50			1,868,462.50
2027	1,415,000	454,337.50			1,869,337.50
2028	1,485,000	387,125.00			1,872,125.00
2029	1,550,000	316,587.50			1,866,587.50
2030	1,625,000	242,962.50			1,867,962.50
2031	1,705,000	165,775.00			1,870,775.00
2032	1,785,000	84,787.50			1,869,787.50

## **BONDHOLDERS' RISKS**

*The following is a discussion of certain risks that could affect payments to be made by RCPI with respect to the Series 2012 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement, and such discussion should not be considered to be a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2012 Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and in the documents summarized herein, copies of which are available as described herein.*

### **General**

The Series 2012 Bonds are payable solely from the payments to be made by RCPI pursuant to the Loan Agreement and the Note, from the Trust Estate as described in the Indenture and, if needed, by payments by the Bond Insurer under the Bond Insurance Policy. Such payments by RCPI will be made from the revenues derived by RCPI from its operations and from other nonoperating revenues received by RCPI, including revenues received from the Hospital pursuant to the Garage Lease, income from the investment of funds held for the security of the Series 2012 Bonds and, under certain circumstances, proceeds of casualty insurance or condemnation awards. No representation or assurance is made that revenues will be realized by RCPI in the amounts necessary to make payments due under the Loan Agreement. No representation or assurance is made that Hospital will fulfill its payment obligations under the Garage Lease. The amount of RCPI's future revenues and expenses are subject to, among other things: (a) competition from other facilities located within RCPI's service area which may offer comparable services at competitive pricing levels; (b) the capabilities of management of RCPI; and (c) future economic and other conditions, all of which are unpredictable and which may affect RCPI's revenues and thereby payment of principal or Redemption Price of, and interest on, the Series 2012 Bonds.

### **Matters Relating to Enforceability of Remedies**

The remedies available under the Indenture and the Loan Agreement upon the occurrence of an Event of Default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the Federal Bankruptcy Code), the remedies provided in the Indenture and the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by judicial principles of equity.

### **Amendments to Indenture and Loan Agreement**

Certain amendments to the Indenture and the Loan Agreement may be made without notice to or the consent of the owners of the Series 2012 Bonds and any Additional Bonds, and other amendments may be made with the consent of the owners of not less than a majority in aggregate principal amount of all Bonds outstanding under the Indenture, including Series 2012 Bonds and any Additional Bonds, and the requisite percentage of Outstanding Bonds may be composed wholly or partially of the Beneficial Owners of Bonds other than the Series 2012 Bonds. Such amendments may affect the security for the Series 2012 Bonds and will be binding on all Bondholders, whether or not they have consented to the amendment. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST—Supplemental Indentures Without Bondholders' Consent," "—Supplemental Indentures With Bondholders' Consent," "—Amendments of Related Security Documents Not Requiring Consent of Bondholders" and "—Amendments of Related Security Documents Requiring Consent of Bondholders" in APPENDIX F.

## **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Series 2012 Bonds when all or some becomes due, any owner of the Series 2012 Bonds shall have a claim under the Bond Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2012 Bonds by the Issuer which is recovered by the Issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Bond Insurance Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Bond Insurance Policy, the Series 2012 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Series 2012 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2012 Bonds or the marketability (liquidity) for the Series 2012 Bonds.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Issuer nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Series 2012 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. For further information with respect to the Bond Insurer and the Bond Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer, see "SECURITY FOR THE SERIES BONDS—Bond Insurance" herein.

## **Tax Exempt Status of RCPI and the Hospital**

The Internal Revenue Service (the "IRS") has determined that RCPI and the Hospital are tax exempt organizations described in Section 501(c)(3) of the Code. In order to maintain their tax exempt status, RCPI and the Hospital must comply with a number of requirements affecting their operations. The possible modification or repeal of certain existing federal income tax laws, a change of IRS policies or positions, a change in RCPI's or the Hospital's operations, purposes or other factors could result in the loss of the tax-exempt status of either or both of RCPI and the Hospital. RCPI has covenanted in the Loan Agreement, and each of RCPI and the Hospital have covenanted in the Tax Certificate, that they will maintain their existence as tax exempt organizations described in Section 501(c)(3) of the Code.



## **Tax Exempt Status of the Series 2012 Bonds**

Because the excludability of interest on the Series 2012 Bonds from gross income for federal income tax purposes is dependent in part upon events occurring after the date of issuance of the Series 2012 Bonds, the opinion of Bond Counsel described under “TAX MATTERS” assumes the compliance by RCPI with certain provisions of the Code and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of interest on the Series 2012 Bonds from gross income for federal income tax purposes in the event of noncompliance with such provisions.

The failure of RCPI or the Hospital to maintain their existence as organizations described in Section 501(c)(3) of the Code or to comply with certain provisions of the Code and the regulations thereunder may cause interest on the Series 2012 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes as of the date of issue. The Indenture provides that, upon a Determination of Taxability, interest on the Series 2012 Bonds will accrue at the Taxable Rate from the date of the occurrence of the Event of Taxability. The Indenture further provides for the mandatory redemption of the Series 2012 Bonds (or of such portion thereof as is necessary in the opinion of Nationally Recognized Bond Counsel to preserve the tax-exempt status of interest on the Series 2012 Bonds that remain outstanding after the redemption) within 120 days following a Determination of Taxability at a Redemption Price equal to one hundred percent of the principal amount redeemed plus interest at the Taxable Rate accrued from the Event of Taxability to the date of redemption. However, in the event the loss of tax exemption is retroactive to the date of issue of the Series 2012 Bonds, there is no adjustment to the Taxable Rate for interest accrued prior to an Event of Taxability. Also, Bondholders are not indemnified for any costs or losses (e.g., tax deficiencies, interest and penalties, loss of market value) that may be incurred in the event that the interest thereon becomes includable in gross income for federal income tax purposes.

From time to time the United States Congress has considered and can be expected in the future to consider tax reform and other legislative proposals, including some that carry retroactive effective dates, which, if enacted, could alter or amend the federal tax exempt status, or adversely affect the market value, of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## **Risk of IRS Audit**

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is includable in gross income for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Series 2012 Bonds. If an audit is commenced, under current procedures the IRS will treat the Issuer as the party under audit and the Bondholders may have no right to participate in the proceedings. The commencement of an audit could adversely affect the market price for, and marketability of, the Series 2012 Bonds until the audit is concluded, regardless of the ultimate outcome.

## **Bond Ratings**

There is no assurance that the ratings assigned to the Series 2012 Bonds on the date of issue will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2012 Bonds. See “RATINGS” herein.

## **Secondary Market and Prices**

No assurance can be given that there will be a secondary market for the Series 2012 Bonds. Even if a secondary market exists, there can be no assurance as to the price for which the Series 2012 Bonds may be

sold. Such price may be lower than the price paid by the current owner of the Series 2012 Bonds, depending on existing market conditions and other factors.

## **Other Considerations**

### *Environmental Matters*

To the knowledge of RCPI, it is currently in compliance with all environmental laws related to its facilities. However, there can be no assurance that additional environmental conditions will not be identified in the future. Furthermore, there can be no assurance that the costs of dealing with the identified problems or any other environmental problems that may be discovered in the future will not be significant.

### *Insurance*

RCPI is obligated to obtain insurance providing coverage in the amount required by the Loan Agreement. Insurance premiums may increase significantly, thus reducing the revenues available to satisfy the payment obligations of RCPI under the Loan Agreement and the Note. An unanticipated volume of claims under these insurance policies, however, could cause the payment of unforeseen amounts as deductibles and increased premiums, thereby adversely affecting RCPI's finances.

## **Other Risk Factors**

In the future, the following factors, among others, may adversely affect the operations of RCPI to an extent that cannot be determined at this time:

- Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- Increased unemployment or other adverse economic conditions in the service area of RCPI.
- Decrease in the availability or receipt of grants or in the receipt of contributions or bequests.
- Inflation or other adverse economic conditions.
- Inability of RCPI to meet or continue to comply with legal, regulatory and licensing requirements.
- The attempted imposition of, or the increase in, taxes related to the property and operations of not-for-profit organizations.
- The occurrence of natural disasters, including floods and earthquakes, which may damage the Facility and other properties of RCPI, interrupt utility service to the Facility and other properties of RCPI or otherwise impair the operation and generation of revenues therefrom.

## **ABSENCE OF LITIGATION**

### **The Issuer**

There is not now pending any litigation of which the Issuer has notice restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds or the proceedings and authority under which the Series 2012 Bonds are to be issued or the validity or enforceability of the Security Documents. Neither the creation, organization or existence of the Issuer, nor the

title of the present directors or other officials of the Issuer to their respective offices, is, to the best knowledge of the Issuer, being contested.

## **RCPI**

RCPI has advised that no litigation, proceeding or investigation is pending or, to its knowledge, threatened against RCPI, except (i) as disclosed in APPENDIX A, (ii) litigation, proceedings or investigations for which the probable ultimate recoveries and the estimated costs and expenses of defense will be entirely within applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total reserves held under applicable self insurance programs or otherwise available, (iii) litigation, proceedings or investigations in which there is no reasonable likelihood that an adverse determination will result or (iv) litigation, proceedings or investigations which, if an adverse determination were to result, would not have a materially adverse effect on the financial condition or results of operations of RCPI. RCPI has also advised that no litigation, proceedings or investigations are pending or, to its knowledge, threatened against RCPI that in any manner question the right of RCPI to participate in the transactions described in this Official Statement.

## **LEGAL MATTERS**

Legal matters in connection with the authorization, issuance and sale of the Series 2012 Bonds are subject to the approving opinion of Winston & Strawn LLP, New York, New York, Bond Counsel to the Issuer, which opinion will be substantially in the form attached hereto as APPENDIX I. Certain legal matters will be passed upon for the Issuer by Richard E. Marshall, Esq., its Vice President for Legal Affairs, and for RCPI by its Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Hawkins Delafield & Wood LLP, New York, New York.

## **TAX MATTERS**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2012 Bonds for interest on the Series 2012 Bonds to be and remain not includable in gross income of the owners thereof under Section 103 of the Code. Included among the continuing requirements of the Code are the maintenance of the status of RCPI and the Hospital as organizations described in Section 501(c)(3) of the Code, certain restrictions and prohibitions on the use of bond proceeds and the use of the Facility, restrictions on the investment of such proceeds and other amounts, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with these continuing requirements may cause the interest on the Series 2012 Bonds to be includable in gross income for federal income tax purposes (and to be includable in taxable income for purposes of New York State, New York City and City of Yonkers personal income taxes) retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In such event, the Indenture provides for the mandatory redemption of all of the Series 2012 Bonds (or such portion thereof as is necessary to preserve the tax-exempt status of the Series 2012 Bonds that remain outstanding) at a price equal to the principal amount of the Series 2012 Bonds so redeemed plus interest at the Taxable Rate accrued from the Event of Taxability to the date of redemption. However, no provision has been made to adjust to a Taxable Rate the interest on the Series 2012 Bonds accruing prior to an Event of Taxability; nor has provision been made to indemnify Bondholders for resulting costs and losses (*e.g.*, tax deficiencies, interest and penalties, loss of market value of Series 2012 Bonds, etc.). See “Tax Exempt Status of the Series 2012 Bonds” under “BONDHOLDERS’ RISKS” herein. In the Indenture, the Loan Agreement, the Tax Certificates of the Issuer, RCPI and the Hospital, and accompanying documents, exhibits, and certificates, the Issuer, RCPI and the Hospital have covenanted to comply with certain procedures, and they have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In addition, Bond Counsel has relied, among other things, on the opinion of Dennett Law Offices, P.C., counsel to RCPI and the Hospital, regarding the current qualification of the RCPI and the Hospital as organizations described in Section 501(c)(3) of the Code and the use contemplated by RCPI and the Hospital

of the Facility as substantially related to the charitable purposes of RCPI and the Hospital under Section 513 of the Code. Neither Bond Counsel nor counsel to RCPI and the Hospital can give or has given any opinion or assurance about the future activities of RCPI or the Hospital, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the resulting changes in the enforcement thereof by the Internal Revenue Service (the “IRS”). Failure of RCPI or the Hospital to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to operate the Facility in a manner that is substantially related to their charitable purposes under Section 513 of the Code may result in interest payable with respect to the Series 2012 Bonds being included in federal gross income and in New York State, New York City and City of Yonkers taxable income, possibly from the date of original issuance of the Series 2012 Bonds.

In the opinion of Winston & Strawn LLP, New York, New York, Bond Counsel, assuming continuing compliance by the Issuer, RCPI and the Hospital (and their successors) with the covenants, and the accuracy of the representations discussed above, under existing statutes, regulations, rulings and court decisions, the interest on the Series 2012 Bonds is not includable in gross income for federal income tax purposes. Bond Counsel is of the further opinion that interest on the Series 2012 Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations; however, interest on the Series 2012 Bonds is includable in the calculation of adjusted current earnings of corporations for purposes of calculating the 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 2012 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the IRS or any court. Further, Bond Counsel cannot give, and has not given, any opinion or assurance about the future activities of the Issuer, RCPI or the Hospital, or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

All of the maturities of the Series 2012 Bonds have been initially offered to the public at prices in excess of their principal amounts and such excess will constitute bond premium in the case of each such maturity of the Series 2012 Bonds sold at its initial offering price (the “Premium Bonds”). An initial purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium 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 Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. 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 Bonds. Owners of Premium Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning Premium Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificates of the Issuer, RCPI and the Hospital 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. Winston & Strawn LLP expresses no opinion as to the effect on the exclusion from gross income for federal tax purposes, and as to the effect on the non-inclusion in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, of interest on the Series 2012 Bonds of any such change occurring, or such action or other action taken or not taken, after the date of

issuance of the Series 2012 Bonds, upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Prospective purchasers of the Series 2012 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 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 2012 Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer, RCPI and the Hospital (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2012 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2012 Bonds (including any accrued original issue discount) is also not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, under existing statutes and regulations.

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 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, will not cause interest on the Series 2012 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. For example, the President's proposed fiscal 2013 budget contains a legislative proposal (the "Proposal") identical to one submitted by the President to Congress in 2011, that, in general, would impose federal income tax at a rate equal to the excess of the investor's marginal tax bracket over the 28% tax bracket on all tax-exempt bond interest, including interest on the Series 2012 Bonds, received by individual taxpayers with an adjusted gross income of \$200,000 (\$250,000 in the case of married individuals filing jointly), effective for taxable years beginning on or after January 1, 2013. It is not possible to predict whether or in what form, the Proposal will be considered by Congress or adopted as legislation. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding any pending or proposed federal or State tax legislation. Further no assurance can be given that 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 2012 Bonds for audit, or the course or result of any IRS examination of the Series 2012 Bonds, or obligations which present similar tax issues, will not affect the market price of the Series 2012 Bonds.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012 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 of interest is required to deduct and withhold a tax from the payment, calculated in the manner set forth in the Code. If an owner purchasing a Series 2012 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 2012 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 IRS.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, RCPI, the Hospital or the beneficial owners of the Series 2012 Bonds regarding the tax status of interest on the Series 2012 Bonds in the event of an audit 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 2012 Bonds, under current procedures parties other than the Issuer, RCPI, the Hospital and their appointed counsel, including the beneficial owners of the Series 2012 Bonds, would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with any audit of tax-exempt bonds is difficult, obtaining an independent judicial review of IRS positions with which the Issuer, RCPI or the Hospital legitimately disagrees, may not be practical. Any action of the IRS, including but not limited to selection of the Series 2012 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, or the marketability of, the Series 2012 Bonds, and may cause the Issuer, RCPI, the Hospital and the beneficial owners of the Series 2012 Bonds to incur significant expense.

## **RATINGS**

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned the Series 2012 Bonds long-term ratings of "Aa3" (on review for possible downgrade) and "AA-" (stable outlook), respectively. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency furnishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price for, and marketability of, the Series 2012 Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

## **UNDERWRITING**

Pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") among the Issuer, RCPI and Goldman, Sachs & Co. (the "Underwriter"), the Underwriter has agreed to purchase the Series 2012 Bonds at a purchase price of \$26,075,885, which is equal to the par amount of the Series 2012 Bonds, plus a bond premium of \$1,587,340 and less an underwriting discount of \$171,455. RCPI has also agreed to reimburse the Underwriter for its reasonable expenses. The Bond Purchase Agreement provides that the obligation of the Underwriter are subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Series 2012 Bonds if any of the Series 2012 Bonds are purchased. The Series 2012 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2012 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. After the initial public offering, the public offering price of the Series 2012 Bonds may be changed from time to time by the Underwriter. RCPI has agreed to indemnify the Underwriter and the Issuer against certain liabilities or to contribute to any payments required to be made by the Underwriter relating to such liabilities, including liabilities under the federal securities laws.

The following two paragraphs have been provided by the Underwriter. The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their

own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

Robert Menschel, Sharmin Mossavar-Rahmani and John Weinberg, members of the Hospital's board of trustees, are employees of the Underwriter. David George, a member of the Hospital's board of trustees, is a retired employee of the Underwriter. Mark Schwartz, a member of the Hospital's board of trustees, is expected to be employed by the Underwriter.

### **INDEPENDENT AUDITORS**

The financial statements of RCPI as of and for the years ended December 31, 2011 and 2010, and the financial statements of the Hospital as of and for the years ended December 31, 2011 and 2010 included in APPENDIX C to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports included in APPENDIX C.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore Inc., a firm of independent public accountants, will issue a report indicating that it has verified the mathematical accuracy of the mathematical computations relating to the adequacy of the cash and the maturing principal amounts and the interest on the investment securities deposited with the Prior Trustee to pay the principal or redemption price of and interest on the Prior Bonds coming due on and prior to their respective maturity or redemption dates as described in "THE REFUNDING PLAN" herein. Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the Series 2012 Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the Series 2012 Bonds from gross income for federal income tax purposes.

### **CONTINUING DISCLOSURE**

#### **The Issuer**

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Series 2012 Bonds or to any decision to purchase, hold or sell the Series 2012 Bonds, and the Issuer will not provide any such information.

#### **RCPI**

##### *The Series 2012 Bonds*

On the date of issuance of the Series 2012 Bonds, RCPI will enter into the Continuing Disclosure Agreement for the benefit of the beneficial owners of the Series 2012 Bonds. Under the Continuing Disclosure Agreement, RCPI is required to file certain information annually with, and to provide notice of certain events to, the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access system, pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The information to be provided on an annual basis and the events that are required to be noticed on an occurrence basis are set forth in the proposed form of the Continuing Disclosure Agreement included in APPENDIX H hereto.

##### *The Prior Bonds*

In connection with the issuance of the Prior Bonds, RCPI has made filings pursuant to continuing disclosure agreements entered into concurrently with the issuance of the Prior Bonds (the "Prior Disclosure

Agreement”). The Prior Disclosure Agreement relating to the Prior Bonds will terminate upon the refunding of the Prior Bonds, as described above under the heading “THE REFUNDING PLAN.”

As of the date of this Official Statement, RCPI is in full compliance with its obligations under the Prior Disclosure Agreement and all other agreements substantially similar to the Prior Disclosure Agreement.

### **MISCELLANEOUS**

The foregoing summaries or descriptions of provisions in the Indenture, the Loan Agreement, the Note, the Mortgage, the Bond Insurance Policy, the Continuing Disclosure Agreement and the other agreements and documents referred to herein, and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions or purport to summarize all of the pertinent provisions thereof. Reference is made to the complete Indenture and the Loan Agreement, copies of which may be obtained from the Trustee.

The information contained in this Official Statement is the responsibility of RCPI, except for the information contained under the heading “BOOK ENTRY ONLY SYSTEM,” which has been provided by DTC to the extent described therein, and the information under the headings “THE ISSUER” and “ABSENCE OF LITIGATION—The Issuer,” which has been provided by the Issuer. The Issuer makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth in this Official Statement, other than the information set forth under the headings “THE ISSUER” and “ABSENCE OF LITIGATION—The Issuer.” This Official Statement is not intended to be construed as a contract or agreement between the Issuer and the purchasers or holders of the Series 2012 Bonds.



Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are set forth as such, and not as representations of facts. No representation is made that any of the opinions or estimates will be realized.

The distribution of this Official Statement has been duly authorized by the Issuer and RCPI.

BUILD NYC RESOURCE CORPORATION

By:           /s/ Jeffrey T. Lee            
Executive Director

ROYAL CHARTER PROPERTIES, INC.

By:           /s/ Mark E. Larmore            
President

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## APPENDIX A—ROYAL CHARTER PROPERTIES, INC.

Royal Charter Properties, Inc. (“RCPI”), a New York not-for-profit corporation, was incorporated in 1983 to develop and manage real estate for the benefit of health-related charitable organizations including The Society of the New York Hospital (now The New York and Presbyterian Hospital) (“NYPH” or the “Hospital”). RCPI has the power to acquire and hold real estate, collect income from such real estate and turn over the income therefrom, less expenses and reasonable reserves, to any qualified health related charitable organization or corporation which is approved by the Board of Directors of RCPI. Historically, on an annual basis, RCPI has turned over its excess of revenue over expenses and reasonable reserves to NYPH. RCPI received a determination letter from the Internal Revenue Service that it is qualified as a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

RCPI owns approximately 46 properties of which 33 are used for residential housing, 1 is used for retail and 12 are used exclusively for parking. The Facility refinanced with proceeds of the Series 2012 Bonds, is one of the parking properties of RCPI. In 2011, total revenue of RCPI was approximately \$47,290,000; rental income from parking properties was approximately \$18,689,000; and rental income from the Facility was approximately \$8,583,000.

### **Governance and Management**

RCPI is governed by its Board of Directors which presently has seven members. The Board is elected by the members of RCPI at its annual meeting. The members of RCPI are, ex officio, those members of New York-Presbyterian Foundation, Inc. who are, at the time, trustees in office of NYPH. See “Related Organizations.”

As of December 31, 2011, the voting members of the Board of Directors of RCPI and their principal occupations were as follows:

#### **Voting Members of Board of Directors**

Peter S. Kalikow  
Arthur J. Hedge Jr.  
Jerry I. Speyer  
Jeffrey A. Harris  
John E. Merow, Esq.  
Brenda Neubauer Straus  
Leonard A. Wilf

#### **Principal Occupation**

President, H. J. Kalikow & Company, LLC  
Chairman: ABR Group LLC  
Chairman and Co-CEO, Tishman Speyer Properties  
Managing Director: Global Reserve Group, LLC  
Senior Counsel, Sullivan & Cromwell LLP  
Real Estate, Sotheby’s International Realty  
Chief Executive Officer: Garden Homes Management Corp.

The senior management of RCPI consists of:

*Mark E. Larmore, CPA, President (50)* - Mr. Larmore joined the NYPH in 1989 as Director of Finance. He served as Vice President Financial Operations from 1994 through 1999, at which time he was appointed Vice President & Assistant Treasurer. He was appointed Senior Vice President & Assistant Treasurer in 2007. Prior to joining the NYPH, Mr. Larmore was a Manager at Ernst & Young LLP (1988 - 1989), Controller at Hudson Valley Hospital Center, Peekskill, New York (1987 – 1988) and Senior, Staff and Junior Accountant at The New York Hospital (1983 – 1986). Mr. Larmore received his Bachelor of Science degree in Accounting from State University of New York at Oswego in 1983. Mr. Larmore is a certified public accountant.

*Phyllis R.F. Lantos, Executive Vice President, Chief Financial Officer & Treasurer (60)* - Ms. Lantos joined NYPH in July 2000 as the Senior Vice President, Chief Financial Officer and Treasurer and was appointed Executive Vice President, Chief Financial Officer & Treasurer in 2007. She is responsible for all

financial services at NYPH Hospital and the System. Prior to joining NYPH, Ms. Lantos was the Deputy Chief Operating Officer, Yale University School of Medicine, Yale University, New Haven, Connecticut (1999 - 2000). Prior to her tenure at Yale, Ms. Lantos was the Vice President, Financial Management Services (1989 – 1999), Associate Vice President Financial Planning & Analysis (1987 – 1989), Director of Financial Projects and Planning (1983 – 1987) and Manager of Financial Analysis, Projects and Budgets (1978 – 1983) at Montefiore Medical Center, Bronx, New York. From 1974 to 1978, Ms. Lantos served in the New York City Office of Management & Budget as a financial analyst assigned to health agencies. She received her Master of Science Management degree (1974) and her Bachelor of Science degree (1972), both from the Massachusetts Institute of Technology.

### **Related Organizations**

The Board of RCPI is elected by the members of RCPI who are, ex officio, those members of New York-Presbyterian Foundation, Inc. (“NYPH Foundation”) who are, at the time, trustees in office of NYPH. NYPH Foundation also selects the members of New York-Presbyterian Healthcare System, Inc. (“NYP System”), which selects the members of various hospital, nursing home and other participants in the system of health care providers known as New York- Presbyterian Healthcare System. Trustees of NYPH must be members of NYPH Foundation. See “The New York and Presbyterian Hospital - System.”

### **The Project**

The Project consists of the refinancing of a 2001 loan to RCPI made with the proceeds of the Prior Bonds, which loan funded the renovation and expansion of a 7 level parking structure (the “Facility”) located at 115-143 Fort Washington Avenue in the Borough of Manhattan (at the southwest corner of West 165th Street and Fort Washington Avenue). The renovation and expansion served to enhance the structural integrity of the existing structure and increase parking capacity by approximately 550 spaces. Located adjacent to the 168th Street campus of NYPH (formerly the main campus of The Presbyterian Hospital in the City of New York), the Facility serves the needs of employees, staff, visitors and patients of NYPH (see “The New York and Presbyterian Hospital” below). The Facility and the adjoining surface lots located at 115-143 Fort Washington Avenue, have parking capacity for approximately 1,827 vehicles with approximately 1,517 spaces in the Facility and approximately 310 spaces in the adjoining surface lots to the side and rear of the Facility.

### **Lease of Part of Facility by RCPI to NYPH**

In 2001, RCPI entered into a Lease Agreement with NYPH (the “2001 Lease”) whereby NYPH leased from RCPI fifty percent (50%) of the total available parking spaces in the Facility. The initial term of the 2001 Lease commenced on March 1, 2003 and expires on February 28, 2029. Pursuant to the provisions of the 2001 Lease, upon expiration of the initial term, NYPH, as tenant, has the option to either extend the lease term for an additional 46 months or pay a Fixed Rent Termination Fee of \$7,740,000. In connection with the issuance of the Series 2012 Bonds, RCPI and NYPH will enter into an amendment to the 2001 Lease (as amended, the “Lease”) which amends the 2001 Lease by changing the Fixed Rent and the Fixed Rent Termination Fee to reflect the debt service obligation on the Series 2012 Bonds.

Pursuant to the provisions of the Lease, NYPH is obligated during the term of the Lease to pay in monthly installments an annual Fixed Rent in an amount equal to the debt service obligation on the Series 2012 Bonds. Upon expiration of the initial term of the Lease on February 28, 2029, NYPH has the option to either extend the Lease term for an additional 46 months or pay a Fixed Rent Termination Fee of \$6,665,000. In addition, NYPH is obligated to pay, as additional rent, fifty percent (50%) of all charges for electricity, gas and other utilities and services furnished to the Facility as well as fifty percent (50%) of the cost of replacement lighting tubes, bulbs and lamps. NYPH is also obligated under the Lease to pay all real estate taxes applicable to its portion of the Facility, if any, and maintain insurance in accordance with the requirements of the Lease. For so long as the Series 2012 Bonds are outstanding, neither RCPI nor NYPH

may terminate the lease without the consent of Assured Guaranty Municipal Corp. (“Assured”), as the provider of the municipal bond insurance policy with respect to the Series 2012 Bonds.

### Existing Facilities

As of December 31, 2011, RCPI owned and operated approximately thirty-four (34) properties located in Manhattan. Most of the properties are residential and are occupied primarily by physicians, nurses and other health care providers who are employees of NYPH. The residential and retail properties owned by RCPI and the use of the units within such properties, are as follows:

#### Residential and Retail Properties Owned by RCPI and Primary Use

Manhattan Properties	Unit Use		
	<u>Residential</u>	<u>Office</u>	<u>Retail</u>
418 East 76th Street	18	1	
431 East 76th Street		2	
436 East 69th Street	123	1	
445 East 68th Street	176	21	
405 East 70th Street	17		2
417 East 70th Street	25		2
421 East 70th Street	10		
423 East 70th Street	27		
437 East 71st Street	18		
439 East 71st Street	20	1	
402 East 72nd Street	21		
501 East 75th Street	16	2	
601 West 164th Street	52		6
615 West 164th Street	60		
625 West 164th Street	60		
600 West 165th Street	65		4
602 West 165th Street	50		
616 West 165th Street	34		
626 West 165th Street	50		
520 West 168th Street	31		3
600 West 169th Street	39		1
601 West 169th Street	13		
617 West 169th Street	20		
621 West 169th Street	33		
625 West 169th Street	70		
641 West 169th Street	34		
709 West 169th Street	43		
620 West 170th Street	65		
630 West 170th Street	63		
640 West 170th Street	41		
720 West 170th Street	53		
235 Ft. Washington Avenue	36		
245 Ft. Washington Avenue	48		
4021-439 Broadway			8

### Summary of Historical Operations

The following Summary of Historical Statements of Operations of RCPI (the “Summary”) for each year in the three-year period ended December 31, 2009, 2010 and 2011 has been derived from RCPI’s audited

financial statements. The financial statements of RCPI as of December 31, 2010 and 2011, and for the years then ended, together with the report of independent auditors are included in Appendix C to the Official Statement.

The unaudited information in the Summary for the three-month periods ended March 31, 2012 and 2011 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which RCPI considers necessary for a fair presentation of the financial position and results of operations for these periods. Operating results for the three-month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2012. The Summary should be read in conjunction with the financial statements and related notes to the financial statements of RCPI included in Appendix C to the Official Statement.

**SUMMARY OF HISTORICAL STATEMENTS OF OPERATIONS**  
(in thousands)

	(Audited)			(Unaudited)	
	<u>Year ended December 31,</u>			<u>Three month period ended March 31,</u>	
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>
<b>Revenue</b>					
Rental income:					
Tenant	\$25,559	\$26,605	\$27,936	\$6,762	\$7,056
Parking	17,720	18,078	18,689	4,718	4,985
Miscellaneous	482	409	529	117	95
Total rental income	43,761	45,092	47,154	11,597	12,136
Interest income	139	131	136	30	30
Total revenue	43,900	45,223	47,290	11,627	12,166
<b>Expenses</b>					
Salaries and benefits	1,599	1,712	2,303	568	512
Salaries and benefits – contracted services	8,430	8,703	9,127	2,343	2,512
Supplies and other expenses	13,966	14,875	14,318	3,833	3,853
Depreciation	3,102	3,238	3,416	891	939
Interest expense and amortization of deferred financing costs	2,094	1,956	1,856	465	450
Total expenses	29,191	30,484	31,020	8,100	8,266
Excess of revenue over expenses	14,709	14,739	16,270	3,527	3,900
Distributions to New York and Presbyterian Hospital	<u>(14,709)</u>	<u>(14,739)</u>	<u>(14,270)</u>	<u>(3,527)</u>	<u>(3,900)</u>
Change in net assets	0	0	2,000	0	0
Net assets at beginning of year	<u>30,578</u>	<u>30,578</u>	<u>30,578</u>	<u>30,578</u>	<u>32,578</u>
Net assets at end of year	<u>\$30,578</u>	<u>\$30,578</u>	<u>\$32,578</u>	<u>\$30,578</u>	<u>\$32,578</u>

Source: Audited Financial Statements of RCPI for years ended December 31, 2009, 2010 and 2011 and RCPI unaudited financial statements for the three month periods ended March 31, 2011 and 2012.

## **Management's Discussion and Analysis of Financial Performance**

### *Year Ended December 31, 2010 Compared To Year Ended December 31, 2009*

In 2010, RCPI had an excess of revenue over expenses before distributions of approximately \$14,739,000, an increase of approximately \$30,000 (0.20%) over 2009. Total revenue increased by approximately \$1,323,000 (3.01%) primarily due to increases in rents and parking fees, resulting in an increase in rental income from tenants of approximately \$1,046,000 (4.09%) and an increase in rental income from parking of approximately \$358,000 (2.02%) over 2009 levels. This was slightly offset by a decrease in miscellaneous income and interest income. Occupancy rates in both residential and commercial space remained relatively stable in 2010 at approximately 95% and 94%, respectively.

In 2010, total expenses increased by \$1,293,000 (4.43%) over the prior year. This increase was primarily due to increases in salaries and benefits for contracted services of approximately \$273,000 (3.24%) and increases in supplies and other expenses of approximately \$909,000 (6.51%). Included within supplies and other expenses were increases of approximately \$319,000 for utilities, \$458,000 repairs and maintenance and \$142,000 real estate taxes. In 2010, RCPI distributed approximately \$14,739,000 to NYPH.

### *Year Ended December 31, 2011 Compared To Year Ended December 31, 2010*

In 2011, RCPI had an excess of revenue over expenses before distributions of approximately \$16,270,000, an increase of approximately \$1,531,000 (10.39%) over 2010. Total revenue increased by approximately \$2,067,000 (4.57%) primarily due to rate increases in rent and parking fees as well as higher occupancy rates. Rental income from tenants increased approximately \$1,331,000 (5.00%) and rental income from parking increased approximately \$611,000 (3.38%) over 2010 levels. Miscellaneous income and interest income increased by \$120,000 and \$5,000 respectively. Occupancy rates for both residential and commercial tenants were 96% each in 2011 as compared with 95% and 94%, respectively, in 2010.

In 2011, total expenses increased by \$536,000 (1.76%) over the prior year. This increase was primarily due to increases in salaries and benefits of approximately \$591,000 (34.52%) and salaries and benefits for contracted services of approximately \$424,000 (4.87%), offset by a decrease in supplies and other expenses of approximately \$557,000 (-3.74%). In 2011, RCPI distributed approximately \$14,270,000 to NYPH.

### *Three-Month Period Ended March 31, 2012 Compared To Three-Month Period Ended March 31, 2011*

In the three month period ended March 31, 2012, RCPI had an excess of revenue over expenses before distributions of approximately \$3,900,000, an increase of approximately \$373,000 (10.58%), compared to an excess of revenue over expenses before distributions of \$3,527,000 in the three months ended March 31, 2011. Total revenue in the three month period increased by approximately \$539,000 (4.64%) over the same three month period in 2011. This increase was primarily due to increases in rental income from tenants of approximately \$294,000 (4.35%) and rental income from parking of approximately \$267,000 (5.66%) over 2011 levels. Occupancy rates for both residential and commercial tenants were 98% and 94%, respectively, for the three month period ended March 31, 2012.

In the three month period ended March 31, 2012, total expenses increased by \$166,000 (2.05%) over the same period the prior year. This increase was primarily due to increases in supplies and other expenses of approximately \$20,000 (.52%) and salaries and benefits – contracted services of approximately \$169,000 (7.21%). In the three month period ended March 31, 2012, RCPI distributed approximately \$3,900,000 to NYPH.

## Outstanding Long-Term Indebtedness

The following table sets forth a summary of long-term debt of RCPI, principal balances on such indebtedness as of December 31, 2011 and collateral, if any, for the debt.

<u>Total Long Term Debt</u>	<u>Principal Balance as of December 31, 2011</u>	<u>Collateral</u>
Prior Bonds <sup>†</sup>	\$26,800,000	Facility
Mortgage loan	\$ 4,275,000	402 East 72nd Street, NY, NY

<sup>†</sup>The Prior Bonds will be refunded with proceeds of the Series 2012 Bonds

## Debt Service Coverage

The following table sets forth RCPI's debt service coverage ratio, based on current portion of long-term debt and interest expense, for the years ended December 31, 2009, 2010 and 2011, and the pro-forma debt service coverage ratio for the year ended December 31, 2011.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Pro-Forma 2011*</u>
Excess of revenues over expenses	\$14,709	\$14,739	\$16,270	\$16,270
Depreciation	3,102	3,238	3,416	3,416
Interest expense and amortization	2,094	1,956	1,856	1,856
Income available for debt service	\$19,905	\$19,933	\$21,542	21,542
Current portion of long-term debt and interest expense (including amortization of deferred financing costs)	\$ 4,259	\$ 3,181	\$ 2,680	\$2,320
Debt service coverage ratio	4.67	6.27	8.04	9.29

\* Based on assumed average coupon of 5%.

## Employees and Management Agreement

As of March 31, 2012, RCPI had no direct employees. Senior management of RCPI is employed by NYPH with a portion of their salaries charged to RCPI based on the portion of their work week devoted to RCPI matters. Management of properties owned by RCPI is generally provided through contracts with third parties.

The Facility is currently managed by an independent management company pursuant to a management services agreement with RCPI. The existing management services agreement with RCPI, which expires in October, 2012 and is extendable at the option of RCPI, covers several parking sites and other RCPI owned buildings in addition to the Facility.

## Insurance

RCPI maintains comprehensive all-risk form property insurance as well as general liability and workers' compensation coverage. Property insurance and general liability insurance are purchased from commercial carriers and are subject to deductibles.

## Litigation

RCPI has no litigation or proceedings pending or, to its knowledge, threatened against it except: (i) litigation being defended by insurance companies on behalf of RCPI, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to RCPI for such matters or of the



applicable insurance carrier, will be entirely within RCPI's applicable insurance policy limits (subject to applicable deductibles); (ii) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to RCPI for such matters, will not materially and adversely affect RCPI's operations or financial condition; and (iii) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which, after exhaustion of available insurance proceeds, if any, in the opinion of management, will not materially and adversely affect RCPI's operations or financial condition.

#### **Future Plans**

Subject to receipt of any necessary approvals, RCPI plans to increase the number of parking spaces in the Facility through the renovation of an existing coal bunker. The renovation will result in approximately 65 additional parking spaces. The cost of the coal bunker renovation project is anticipated to be approximately \$1.4 million and is currently anticipated to be funded from operations.

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## APPENDIX B—THE NEW YORK AND PRESBYTERIAN HOSPITAL

### Introduction

The New York and Presbyterian Hospital is a New York not-for-profit corporation created as a result of the January 1998 merger of The Society of The New York Hospital and The Presbyterian Hospital in the City of New York. In 2011, the Hospital marked its thirteenth anniversary as the merged Hospital, having in the process become one of the country's largest academic medical centers. In 2011, the Hospital ranked #6 in the annual U.S. News & World Report ranking of the best hospitals in the United States, and was the top ranked hospital in the New York metropolitan region.

The Hospital is a 2,298 certified bed academic medical center providing a full range of inpatient and outpatient services from primary to quaternary care. The Hospital's academic affiliations are with two of the country's leading medical colleges: The Columbia University College of Physicians & Surgeons and the Joan and Sanford I. Weill Medical College of Cornell University. The Hospital operates four major centers:

- NewYork-Presbyterian Hospital/Weill Cornell Medical Center
- NewYork-Presbyterian Hospital/Columbia University Medical Center, which includes Morgan Stanley Children's Hospital of NewYork-Presbyterian
- The Allen Hospital
- Westchester Division

The Hospital serves as the academic and tertiary hub of the NewYork-Presbyterian Healthcare System, an unincorporated federation of autonomously operated tax exempt healthcare organizations in the New York – New Jersey – Connecticut ("Tri-State") region. See "Affiliated Organizations" below.

The Hospital has a long history of providing medical care in the New York area. The Society of The New York Hospital was created by a Royal Charter granted by King George III on June 13, 1771. New York Hospital has operated its facility at its current location at East 68th Street in Manhattan (the "Midtown Campus") since 1932. Operations at the Westchester Division have been based at the same location since 1894.

The Presbyterian Hospital in the City of New York was organized in 1868 and has provided services at 168th Street between Broadway and Riverside Drive (the "Uptown Campus") since 1928. The Morgan Stanley Children's Hospital of NewYork-Presbyterian ("MS-CHONY"), a pediatric acute care and ancillary services facility which opened in November, 2003, is located on the Uptown Campus. Previously, the Hospital's pediatric care was provided at Babies Hospital, also located on the Uptown Campus. The Allen Hospital, located at Broadway and the Harlem River, Manhattan, New York, opened in 1988 and offers acute care to residents of its service area in a community-based setting.

The Midtown Campus has a total certified bed capacity of 850 beds; the Westchester Division has a certified bed capacity of 270 beds. The Uptown Campus has a total certified bed capacity of 977 beds, including the 257-bed MS-CHONY; and the Allen Hospital has a certified bed capacity of 201 beds.

As of December 31, 2011, the Hospital staffed 2,264 of its 2,298 certified beds. Its staffed bed complement (excluding bassinets) was allocated among the following services:

	<b><u>Midtown Campus</u></b>	<b><u>Uptown Campus</u></b>	<b><u>Allen Hospital</u></b>	<b><u>Westchester Division</u></b>	<b><u>Total</u></b>
Medical - Surgical	652	864	146	--	1,662
Maternity	68	60	20	--	148
Psychiatry	64	25	30	238	357
Burn /Rehabilitation	62	16	--	--	78
Alcohol Rehabilitation	--	--	--	19	19
<b>TOTAL</b>	<b><u>846</u></b>	<b><u>965</u></b>	<b><u>196</u></b>	<b><u>257</u></b>	<b><u>2,264</u></b>

### **Services and Programs**

The Hospital provides services in a broad range of specialties and sub-specialties including: anesthesiology, burn treatment, cardiology, cardiothoracic surgery, colon and rectal surgery, dentistry, dermatology, diabetes and endocrinology, emergency services, gastroenterology, geriatrics, hematology, allergy and immunology, infectious disease, internal medicine, laboratory medicine, neonatology, nephrology, neurology, neurosurgery, obstetrics and gynecology, oncology, ophthalmology and ophthalmologic surgery, orthopedic surgery, otorhinolaryngology, pathology, pediatrics and pediatric surgery, plastic surgery, podiatry, psychiatry and mental health, pulmonology, radiology, radiation oncology, rehabilitation medicine, rheumatology, general surgery, lung volume reduction surgery, thoracic surgery, transplantation, urology and vascular surgery. The Uptown Campus, Midtown Campus and Allen Hospital also provide 24-hour per day emergency services. Other ambulatory services are provided on all campuses, as well as certain off-campus locations.

An integral component of the Hospital is the Ambulatory Care Network (“ACN”), which consists of fifteen (15) primary care practice sites and more than fifty (50) sub-specialty care clinics. Each site provides complete and affordable healthcare to individuals throughout the surrounding communities of Columbia University Medical Center, New York Weill Cornell Medical Center and the Allen Hospital as well as patients presenting from the other boroughs of New York City. Services include internal medicine, obstetrics and gynecology, pediatrics, geriatrics, family medicine and specialty care including practices on both campuses specializing in comprehensive HIV care. ACN also provides care through its UrgiCare Center, Family Planning Practice, Young Men’s Clinic, Methadone Maintenance Clinic, four Women, Infants and Children (WIC) sites (a Federally-funded nutrition program) and seven school-based health centers.

#### *Midtown Campus*

The Midtown Campus provides a full range of services including the following: acute renal dialysis, bone marrow transplant, burn center, cardiac catheterization, comprehensive epilepsy center, dental, family planning, MRI, nuclear medicine, physical medicine and rehabilitation, primary medical care, speech pathology, ambulatory surgery, CT scanner, methadone maintenance, occupational therapy, open heart surgery (adult and pediatric), part-time clinics, physical therapy, psychiatry, therapeutic radiology, audiology, cystoscopy, emergency room services, pediatrics, prenatal and social work.

#### *Uptown Campus*

Health care services provided at the Uptown Campus include medicine and surgery, covering substantially all medical and surgical subspecialties, adult intensive care and coronary care, neonatal intensive care, obstetrics, pediatrics, rehabilitation medicine, and psychiatry. The Uptown Campus hosts many post-graduate medical education programs and has been designated as a psychiatric emergency receiving facility by the New York City Department of Mental Health. MS-CHONY, located on the Uptown Campus, is a 251-certified bed pediatric center for basic and clinical research, clinical care, and education. MS-CHONY

provides comprehensive care for the full range of medical and surgical subspecialties as well as the Center for Prenatal Pediatrics, which was established in 2004 to diagnose and treat women with high-risk pregnancies such as multiple births, congenital heart disease, fetal chest anomalies and genetic syndromes.

The Uptown Campus provides tertiary care and specialized services and programs to treat complex conditions including, without limitation, heart, kidney and lung transplant programs, a comprehensive cardiovascular surgery program, a neurological and neurosurgical program, an orthopedic service, a comprehensive cancer center, a children's hospital and a high risk maternity program.

#### *Westchester Division*

The Westchester Division provides primarily inpatient and outpatient psychiatric and behavioral health services. Inpatient services include psychiatry and alcohol detoxification. Outpatient services include the following: personality disorder continuing day treatment; schizophrenia services continuing day treatment; children's day hospital; adult psychiatric clinic; eating disorders clinic; geriatric clinic; anxiety and depression clinic; alcohol disorders program; occupational health therapy; family planning; physical therapy and children's outpatient clinic. In addition, the Westchester Division manages clinical and research programs in geriatric psychiatry.

#### *The Allen Hospital*

The Allen Hospital is a 201-bed community hospital located at the northern tip of Manhattan. It provides medical and surgical services, intensive care, coronary care, maternity, psychiatric, neonatal, pulmonary, neurology, gastroenterology, hematology/oncology, obstetrics/gynecology, orthopedics, vascular surgery, geriatrics, ophthalmology, radiology and emergency services as well as outpatient clinics and ambulatory surgery.

#### **Academic Affiliations: Joan and Sanford I. Weill Medical College of Cornell University and Columbia University Medical Center**

The Hospital's Midtown Campus serves as the primary clinical teaching center of the Joan and Sanford I. Weill Medical College of Cornell University ("Cornell") based on an affiliation created in 1927. The Hospital's Uptown Campus serves as the primary clinical teaching center of Columbia University Medical Center based on an affiliation created in 1921. Columbia University Medical Center, formerly known as Columbia University Health Sciences, includes the College of Physicians & Surgeons ("P&S"), the School of Dental and Oral Surgery, the School of Nursing and the Mailman School of Public Health of Columbia University (collectively, "Columbia").

The agreement between the Hospital and Cornell creates a relationship which is intended to be close and perpetual and which cannot be terminated except by mutual consent. At the Midtown Campus, several of the Cornell buildings and Hospital buildings are physically connected. To receive an appointment to the Medical Staff serving the Midtown Campus, a physician must also have a Cornell faculty appointment. The Midtown Campus operates residency training programs in anesthesiology, dermatology, internal medicine, neurological surgery, neurology, obstetrics and gynecology, ophthalmology, pathology, pediatrics, physical medicine, plastic surgery, psychiatry, radiology (diagnostic), rehabilitation, radiation oncology, general surgery, thoracic surgery, urology, oral surgery and primary care medicine. These programs provide training to approximately 802 residents and fellows and are fully accredited by the Accreditation Council for Graduate Medical Education.

The Alliance Agreement with Columbia University provides that the Attending Medical Staff serving the Uptown Campus must be members of the faculty of P&S or persons of comparable professional standing. Clinical teaching is conducted at the Uptown Campus, and members of the medical staff conduct research in conjunction with P&S. The Hospital has an agreement with Columbia University under which the Uptown

Campus occupies certain buildings or facilities on land owned by Columbia at the Uptown Campus and Columbia occupies certain buildings or facilities on land owned by the Hospital at that site.

In addition to providing training facilities for students of medicine and allied health professions, providing specialized treatment of complex diseases and disorders and conducting advanced medical research, the Uptown Campus sponsors many post-graduate medical education programs. The Uptown Campus administers programs in the following specialties and subspecialties: allergy/immunology, anesthesiology (including critical care anesthesiology), dermatology, family practice, internal medicine (including cardiology, cardiac electrophysiology, critical care medicine, endocrine/metabolism, gastroenterology, hematology/oncology, infectious diseases, nephrology, pulmonary, rheumatology), neurological surgery, neurology (including child neurology, clinical neurophysiology), nuclear medicine, obstetrics/gynecology, ophthalmology, orthopedic surgery (adult reconstructive orthopedics, hand surgery-orthopedics), otolaryngology, anatomic/clinical pathology (including neuropathology), pediatrics, pediatric cardiology, pediatric gastroenterology, pediatric hematology/oncology, neonatal/perinatal medicine, pediatric pulmonology, pediatric rheumatology, physical medicine/rehabilitation, psychiatry, child and adolescent psychiatry, geriatric psychiatry, diagnostic radiology, neuroradiology, nuclear radiology, pediatric radiology, vascular/interventional radiology, radiation oncology, surgery-general (including pediatric surgery, thoracic surgery, urology, dentistry/general practice and oral surgery, dentistry/pediatric and advanced education dental program. These programs provide training to approximately 899 residents and fellows

In 2004, an affiliation agreement between the Hospital and The Methodist Hospital, Houston, Texas became effective. This 30-year affiliation agreement provides for affiliation fees to the Hospital, currently in the amount of approximately \$5.5 million per year, for provision of clinical advisory and administrative services.

## **Governance**

The Hospital, a New York not-for-profit corporation, received a determination letter from the Internal Revenue Service that it is qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). It is governed by a Board of Trustees elected by the Hospital's Members from among those persons who are Members of New York-Presbyterian Foundation, Inc. ("NYPF"), an entity related to the Hospital due to common board members. As of June 7, 2012, the Hospital Board had eighty-seven (87) Trustees. The Trustees are elected for four-year terms. Those Trustees with a considerable record of service to the Hospital have the option of requesting election to "Life Trustee" status. Life Trustees do not have a vote at the Board meetings, but may serve on committees with the right to vote. Two Columbia University trustees and two Cornell University trustees serve on the Hospital Board. The Board meets six times a year at one of the Hospital campuses. Given the size and complexity of the Hospital, much of the work of the Board is first done in one of the fifteen active standing committees which cover every aspect of the Hospital's operation. In the surveys conducted by The Joint Commission since the merger which created the Hospital, the Board has received the top grade for governance. Each trustee is required to participate in the orientation and continuing education programs.

The Board of Trustees consists of individuals with experience in a variety of business disciplines. Many of the Trustees are well known leaders in their respective fields and as a group, the Trustees are particularly knowledgeable about audit and financial matters. The Trustees of NYPH as of May 31, 2012, and their principal occupation, are as follows:

<b><u>Name/Office</u></b>	<b><u>Principal Occupation</u></b>
Roger C. Altman	Chairman and Co-CEO: Evercore Partners
Bruce A. Beal Jr.	Executive Vice President and Partner: The Related Companies, LP
Frank A. Bennack Jr.	CEO and Vice Chairman of the Board: The Hearst Corporation
Donald L. Boudreau	Retired Vice Chairman: The Chase Manhattan Bank
Luis A. Canela	Managing Director: Kaufman Brothers LP
Iris Cantor	Philanthropist

**Name/Office**

Pamela G. Carlton  
Russell L. Carson  
John K. Castle  
The Honorable Elaine L. Chao  
Jean Clark  
H. Rodgin Cohen, Esq.  
Joan Ganz Cooney  
Steven J. Corwin, M.D.  
*Chief Executive Officer,  
Ex-officio*  
Mary D'Alton, M.D. (ex-officio)

Raymond T. Dalio  
Michel David-Weill  
Mrs. John W. Espy  
Jay S. Fishman  
Charlotte M. Ford  
Richard S. Fuld, Jr.  
David A. George  
Peter A. Georgescu  
Harvey Golub  
Jeffrey W. Greenberg  
Maurice R. Greenberg  
Jeffrey A. Harris  
Arthur J. Hedge, Jr.  
Marifé Hernandez  
Glenn H. Hutchins  
Mitchell L. Jacobson  
Robert L. James  
Howard S. Jonas  
Winfield P. Jones, Esq.  
Andrea Jung  
Peter S. Kalikow  
Alfred F. Kelly, Jr.  
David H. Koch  
David H. Komansky  
Terry Allen Kramer  
Rochelle B. Lazarus  
John J. Mack  
*Chairman*

Arthur J. Mahon, Esq.  
Ellen R. Marram  
Roman Martinez IV  
Raymond J. McGuire  
Robert B. Menschel  
John E. Merow, Esq.  
Constance Jane Milstein, Esq.  
Steven T. Mnuchin  
Sharmin Mossaver-Rahmani  
Sarah E. Nash

Steven O. Newhouse  
Daniel S. Och

Adebayo Ogunlesi

**Principal Occupation**

President & Co-Founder: Springboard – Partners in Cross Cultural Leadership  
General Partner and Co-Founder: Welsh, Carson, Anderson & Stowe  
Chairman and CEO: Castle Harlan, Inc.  
Distinguished Fellow: The Heritage Foundation  
Philanthropist  
Partner and Senior Chairman: Sullivan & Cromwell LLP  
Co-Founder and Chairman of the Executive Committee: Sesame Workshop  
Chief Executive Officer: The New York and Presbyterian Hospital

Physician and President of Medical Board: The New York and Presbyterian Hospital  
President and Chief Investment Officer: Bridgewater Associates LP  
Retired Chairman: Lazard Frères LLC  
Philanthropist  
Chairman & CEO: The Travelers Companies, Inc.  
Author and Philanthropist  
Chairman: Matrix Advisors, LLC  
Retired Senior Director: Goldman, Sachs & Co.\*  
Chairman Emeritus: Young & Rubicam  
Retired Chairman and CEO: American Express Company  
Chairman and CEO: Aquiline Capital Partners LLC  
Chairman and CEO: C.V. Starr and Company  
Managing Director: Global Reserve Group, LLC  
Chairman: ABR Group LLC  
President: The Cultural Communications Group  
Co-Founder: Silver Lake Partners  
Chairman and CEO: MSC Industrial Direct Co., Inc.  
Chairman Emeritus: McCann Erickson Worldwide  
Chairman and Founder: IDT Corporation  
Chairman: Jones Hirsch Connors & Bull P.C.  
Chairman and CEO: Avon Products, Inc.  
President: H.J. Kalikow & Co., LLC  
Chief Executive Officer: 2014 NY/NJ Super Bowl  
Executive Vice President: Koch Industries, Inc.  
Chairman Emeritus: Merrill Lynch & Co., Inc.  
President: Allen & Company, Inc.  
Chair: Ogilvy & Mather Worldwide  
Retired Chairman and CEO: Morgan Stanley

Fidelity Asset Management Group, Inc.  
Senior Managing Director: Brock Capital Group LLC  
Investor and Financial Advisor  
Managing Director, Co-Head, Global Investment Banking: Citigroup  
Senior Director: Goldman Sachs Group\*  
Senior Counsel: Sullivan & Cromwell LLP  
Principal: Ogden CAP Properties, LLC  
CEO: Dune Capital Management LP  
Managing Director: Goldman, Sachs & Co.\*  
Retired Vice Chairman of Investment Banking in North America: JPMorgan Chase  
Chairman: Advance.net  
Chairman, Chief Executive Officer and Executive Managing Director: Och-Ziff Capital Management Group  
Chairman and Managing Partner: Global Infra Structure Partners

**Name/Office**

Herbert Pardes, M.D.  
 Gordon B. Pattee  
 Ronald O. Perelman  
 Lisa R. Perry  
 Ogden Mills Phipps  
 Michael S. Pritula  
 William R. Rhodes  
 Stephen Robert  
 Marcos A. Rodriguez  
 Stephen M. Ross  
 Arthur F. Ryan  
 Arthur J. Samberg  
 Oscar Straus Schafer  
 Peter N. Schlegel, M.D.  
*Ex officio*  
 Mark Schwartz  
 Robert G. Scott  
 Richard D. Segal  
 Ivan G. Seidenberg  
 Walter V. Shipley  
 Howard Solomon  
 Jerry I. Speyer  
 Seymour Sternberg  
 Brenda Neubauer Straus  
 Howard Stringer  
 Vincent Tese, Esq.  
 John A. Thain  
 Michael D. Tusiani  
 Sanford I. Weill  
 John S. Weinberg  
 Leonard A. Wilf  
 Margaret L. Wolff, Esq.  
 Robert C. Wright

**Principal Occupation**

Executive Vice Chairman and Retired CEO: The New York and Presbyterian Hospital  
 President: Map Capital Corp.  
 Chairman and Chief Executive Officer: MacAndrews & Forbes Holdings Inc.  
 Philanthropist  
 Director: Bessemer Trust Company, N.A.  
 Director: McKinsey & Company, Inc.  
 Professor at Large: Brown University  
 Chairman and Co-CEO: Source of Hope Foundation  
 Managing Member: Palladium Equity Partners, LLC  
 Chairman and CEO: Related Companies  
 Chairman & CEO: The Prudential Insurance Company of America  
 Chairman and CEO: Hawks Financial, LLC  
 Senior Managing Partner: O.S.S. Capital Management, LP  
 Physician and Vice President of Medical Board: The New York and Presbyterian Hospital  
 Co-Founder and Chairman: Mission Point Capital Partners\*\*  
 Advisory Director: Glastenbury Foundation  
 Chairman and CEO: Seavest, Inc.  
 Chairman: Verizon  
 Chairman: The Wallace Foundation; Former Chairman: The Chase Manhattan Corporation  
 Chairman & CEO: Forest Laboratories, Inc.  
 Chairman & Co-CEO: Tishman Speyer Properties  
 Retired Chairman & CEO: New York Life Insurance Company  
 Real Estate, Sotheby's International Realty  
 Chairman and CEO: SONY Corporation of America  
 Executive Chairman: Florida Community Bank  
 Chairman and Chief Executive Officer: The CIT Group  
 Chairman and CEO: Poten & Partners, Inc.  
 Chairman Emeritus: Citigroup, Inc.  
 Vice Chairman: Goldman Sachs & Co.\*  
 Chief Executive Officer: Garden Homes Management Corp.  
 Of Counsel: Skadden, Arps, Slate, Meager & Flom LLP  
 Chairman and Co-Founder: Autism Speaks  
 Senior Advisor: Lee Equity Partners LLC

\*Goldman Sachs & Co. is the underwriter of the Series 2012 Bonds.

\*\*It has been announced that Mr. Schwartz is joining Goldman, Sachs & Co., underwriter of the Series 2012 Bonds.

**Conflict of Interest**

The Hospital's bylaws provide for compliance with conflict of interest policies as set forth in the New York Not-for-Profit Corporation Law, the rules of The Joint Commission and as established by the Board of Trustees and/or the Audit and Corporate Compliance Committee of the Board. The conflict of interest policy requires any duality of interest or possible conflict of interest on the part of any Board member, officer and key persons to be disclosed to the Board and made a matter of record. If a Board member has a duality of interest or possible conflict of interest on any matter, the member may not vote or use personal influence on the matter.

**Affiliated Organizations**

New York-Presbyterian Healthcare System, Inc. ("NYP System, Inc.") was incorporated under the New York Not-for-Profit Corporation Law to coordinate membership in the New York-Presbyterian Healthcare System (the "System") - an unincorporated federation of autonomously operated tax exempt



healthcare organizations (“System Members”) in the New York metropolitan area, each of which provides healthcare services for its community. NYP System, Inc. is a membership corporation whose members are selected by NYPF from among persons who are Governors or Life Governors of NYPF. NYP System, Inc. does not provide health care and has no employees.

System Members include organizations whose members are individuals appointed by NYP System, Inc. or NYPF who, as members, elect the governing boards of such organizations and have other rights as provided by law or contract and the by-laws of the organizations. These organizations (“Corporate System Members”) are considered to have a corporate relationship with NYP System, Inc. or NYPF. The System also includes organizations with a contractual affiliate relationship, but not a corporate relationship, with NYP System, Inc. All System Members are managed and operated by separate non-profit corporations and are responsible for their own operations, assets and obligations.

As of January 1, 2012, the Corporate System Members included the following health care institutions:

- The New York and Presbyterian Hospital
- Gracie Square Hospital, Inc., New York, New York
- The New York Hospital Medical Center of Queens, Queens, New York
- The Brooklyn Hospital Center, Brooklyn, New York
- New York Society for the Relief of the Ruptured and Crippled, maintaining the Hospital for Special Surgery, New York, New York (“HSS”)
- The New York Community Hospital of Brooklyn, Brooklyn, New York
- The New York Methodist Hospital, Brooklyn, New York
- New York Westchester Square Medical Center, Bronx, New York
- Nyack Hospital, Nyack, New York
- The Rogosin Institute, New York, New York
- The Silvercrest Center for Nursing and Rehabilitation, Queens, New York

In addition to the 11 Corporate System Members listed above, the health care institutions with a contractual affiliate relationship with the NYP System, Inc. as of January 1, 2012 included 12 hospitals, 3 long-term care facilities, 2 acute rehabilitation facilities and 2 ambulatory facilities.

The Hospital has a number of affiliated entities. New York-Presbyterian Fund, Inc. is a not-for-profit corporation whose revenue is derived from soliciting, receiving and administering philanthropic funds. RCPI, Royal Charter Properties – East, Inc. (“RCP-East”) and Royal Charter Properties – Westchester, Inc. (“RCP-West”) are not-for-profit support corporations that derive revenue from acquiring and holding direct and indirect interests in real estate and related personal property which are primarily used to provide residential housing, office space and parking to the Hospital and its employees based on the market value of such services. RCPI, RCP-East and RCP-West provide services primarily to or for the benefit of the Hospital.

### **Senior Management**

The senior management is responsible for day-to-day operational management of the Hospital. A number of Vice Presidents, Chiefs of Service, Department Directors and Managers all provide support to the senior management. Several members of senior management also provide services for System, Inc and other affiliated entities. The Senior Management of the Hospital includes:

*Steven J. Corwin, M.D., Chief Executive Officer (56)* - Dr. Corwin was appointed Chief Executive Officer of the Hospital in 2011. He is responsible for managing day-to-day operations across all five campuses of the Hospital, as well as advancing the Hospital's key strategic initiatives. Previously, he held the positions of Executive Vice President and Chief Operating Officer (2005 – 2011), Senior Vice President and Chief Medical Officer (1999 - 2005), Medical Director (1997 - 1999), Director of Critical Care Services (1991 - 1997), and Director of Coronary Intensive Care Unit (1986 - 1991) at Columbia Presbyterian Medical Center.

A practicing cardiologist at the Hospital since 1987, Dr. Corwin is an Associate Professor of Clinical Medicine at Columbia College of Physicians and Surgeons and is board certified by the American Board of Internal Medicine and the American College of Cardiology. Dr. Corwin received his Bachelor of Science degree in 1977 and his Medical Doctor degree summa cum laude in 1979 from Northwestern University as part of a six-year honors Medical Program.

*Robert E. Kelly, M.D., President (57)* - Dr. Kelly was appointed President of the Hospital in 2011. He began his administrative career at the former New York Hospital in 1995 as Vice President for Clinical Affairs and Chief Medical Officer. He was appointed Chief Operating Officer for New York-Presbyterian/Columbia University Medical Center in 1999 and Chief Medical Officer in 2006. Dr. Kelly received his Doctor of Medicine degree from University of Cincinnati College of Medicine in 1981 and Bachelor of Science degree from Michigan State University in 1977. He holds an appointment as Professor of Clinical Anesthesiology at Weill Cornell Medical College.

*Phyllis R.F. Lantos, Executive Vice President, Corporate Chief Financial Officer & Treasurer (60)* - Ms. Lantos joined the Hospital in July 2000 as the Senior Vice President, Chief Financial Officer and Treasurer, was appointed Executive Vice President, Chief Financial Officer & Treasurer in 2007 and was appointed Executive Vice President, Corporate Chief Financial Officer & Treasurer in 2011. She is responsible for all financial services at the Hospital and the System. Prior to joining the Hospital, Ms. Lantos was the Deputy Chief Operating Officer, Yale University School of Medicine, Yale University, New Haven, Connecticut (1999 - 2000). Prior to her tenure at Yale, Ms. Lantos was the Vice President, Financial Management Services (1989 - 1999), Associate Vice President Financial Planning & Analysis (1987 - 1989), Director of Financial Projects and Planning (1983 - 1987) and Manager of Financial Analysis, Projects and Budgets (1978 - 1983) at Montefiore Medical Center, Bronx, New York. From 1974 to 1978, Ms. Lantos served in the New York City Office of Management & Budget as a financial analyst assigned to health agencies. She received her Master of Science Management degree (1974) and her Bachelor of Science degree (1972), both from the Massachusetts Institute of Technology.

*Mark E. Larmore, CPA, Chief Financial Officer, Group Senior Vice President & Assistant Treasurer (50)* - Mr. Larmore joined the Hospital in 1989 as Director of Finance. He served as Vice President Financial Operations from 1994 through 1999, at which time he was appointed Vice President & Assistant Treasurer. He was appointed Senior Vice President & Assistant Treasurer in 2007 and Chief Financial Officer, Group Senior Vice President and Assistant Treasurer in 2011. Prior to joining the Hospital, Mr. Larmore was a Manager at Ernst & Young LLP (1988 - 1989), Controller at Hudson Valley Hospital Center, Peekskill, New York (1987 - 1988) and Senior, Staff and Junior Accountant at The New York Hospital (1983 - 1986). Mr. Larmore received his Bachelor of Science degree in Accounting from State University of New York at Oswego in 1983. Mr. Larmore is a certified public accountant.

*Laura L. Forese, M.D., M.P.H., Group Senior Vice President, Chief Operating Officer and Chief Medical Officer, New York-Presbyterian/Weill Cornell Medical Center (50)* - Dr. Forese was appointed Group Senior Vice President, Chief Operating Officer and Chief Medical Officer New York-Presbyterian/Weill Cornell Medical Center in 2011. She is responsible for all operations at the Weill Cornell Center of the Hospital including development of physician programs and service lines, joint budgeting with Weill Cornell School of Medicine, graduate medical education and physician training programs, physician assistant services, epidemiology/infection control and occupational health services. She is also responsible for privileging and credentialing of medical staff members. Dr. Forese joined the full-time faculty at Columbia University in 1993, specializing in pediatric orthopedic surgery. She retains an appointment as Associate Clinical Professor. She served as Chief of Surgical and Anesthesia Services at Helen Hayes Hospital in West Haverstraw, New York (1993 - 1997); was Vice Chair in the Department of Orthopedic Surgery at Columbia University (1998 - 2002); was Vice President for Medical Affairs at the Hospital (2002 - 2005); and was Senior Vice President of the New York-Presbyterian Hospital/Weill Cornell Medical Center (2005 - 2011). Dr. Forese received her Bachelor of Arts degree summa cum laude, Phi Beta Kappa from Princeton University in 1983 and her Doctor

of Medicine degree Alpha Omega Alpha from P&S in 1987. She also obtained a degree in health services management from the Columbia School of Public Health in 1995.

*Maxine Frank, Esq. Executive Senior Vice President, Chief Legal Officer & General Counsel (59)* – Ms. Frank joined the Hospital as Senior Vice President, Chief Legal Officer & General Counsel in 1999. Her responsibilities include providing legal advice to the President and Board of Trustees, supervising the Office of Legal Affairs and Risk Management and directing all outside counsel relationships. She was a Partner at Stroock & Stroock & Lavan LLP (1998-1999) and Senior Vice President, General Counsel at Health Insurance Plan of Greater New York (1988-1998) prior to joining the Hospital. Ms. Frank received her Juris Doctor summa cum laude from Brooklyn Law School in 1980 and her Bachelor of Arts degree summa cum laude from Brooklyn College (CUNY) in 1974.

### **Medical Staff**

As of May 4, 2012 there were 4,190 physician and dentist members of the medical staff of the Hospital holding appointments in three categories: Attending (4,174), Emeritus (7), and Honorary (9). The medical staff is presently organized into 25 clinical services: Anesthesiology, Cardiothoracic Surgery, Dentistry, Dermatology, Emergency Medicine, Family Medicine, Medicine Neurological Surgery, Neurology, Obstetrics and Gynecology, Ophthalmology, Orthopedic Surgery, Otolaryngology, Pathology, Pediatrics, Plastic Surgery, Psychiatry, Public Health, Radiation Oncology, Radiology, Rehabilitation Medicine, Reproductive Medicine, Surgery, Transplantation Medicine, and Urology. The clinical services include approximately 65 medical specialties and sub-specialties. As of May 4, 2012 approximately 91% of the Attending medical staff members were board certified in one or more of their specialties and the average of their ages was approximately 51 years. From June 11, 2010 to May 4, 2012, there was no significant change in the number of Attending Medical Staff members.

### **Employees**

As of December 31, 2011, the Hospital employed approximately 19,763 full time equivalents (“FTEs”) of which 5,516 were nursing staff, including advanced practice nurses, registered nurses, technicians, nursing aides, licensed practical nurses and clerks. Of these, approximately 5,040 FTEs were registered nurses.

The following table shows the breakdown of FTEs of the Hospital as of December 31, 2011:

	<b>Uptown Campus and Allen Hospital</b>	<b>Midtown Campus</b>	<b>Westchester Division</b>	<b>Total</b>
Registered Nurse FTEs	2,864	2,019	157	5,040
Other Nursing FTEs	501	336	39	876
Non-Nursing FTEs	7,119	5,927	601	13,647
Total	10,484	8,282	797	19,563

The Hospital’s turnover rate for the registered nursing staff during 2011 was approximately 6.32% up from 6.17% in 2009. In recent years the Hospital has not experienced difficulty in recruiting an adequate number of nursing staff. Benefits offered to eligible employees include: health insurance covering hospitalization, major medical expenses and dental treatment; life insurance; short and long term disability insurance; a defined benefit pension plan and a 403(b) tax deferred contributions plan. Based on its employee satisfaction survey conducted in 2011, Management believes that its relationship with its employees is satisfactory.

The Hospital has collective bargaining agreements with respect to certain employees at its Columbia University Medical Center Campus, as described in this paragraph. 1199SEIU United Healthcare Workers

East (“Local 1199”) represents approximately 4,450 employees there. The current agreement with Local 1199 is a multi-employer agreement which was extended with modification until April 30, 2015. In early 2012 the Hospital withdrew from the multi-employer bargaining unit and, for the period beginning April 16, 2015, will negotiate a new labor contract directly with Local 1199. The New York State Nurses Association represents approximately 2,800 employees. This agreement was extended from January 1, 2011 through January 1, 2015. The Hospital’s collective bargaining agreement with the Occupational Therapy Association (OTA) expires on November 30, 2012. The Hospital’s collective bargaining agreement with the American Physical Therapy Association expires November 30, 2012 and its collective bargaining agreement with the Professional Dieticians of New York expires January 31, 2013. Benefits to Hospital employees who are covered by collective bargaining agreements are governed by the terms of the respective contracts and jointly administered trust funds, where applicable.

The Hospital provides pension and similar benefits to its employees through several plans, including various multi-employer plans for union employees, a qualified noncontributory defined benefit plan primarily for eligible nonunion employees of the Hospital and certain of its related organizations, and a nonqualified defined benefit plan for certain executives. The Hospital also provides pension and similar benefits to certain employees through a defined contribution plan. The Hospital funds the noncontributory defined benefit plans in accordance with the minimum funding requirement of the Employee Retirement Income Security Act of 1974 (“ERISA”), plus additional amounts that the Hospital may deem appropriate from time to time. The Pension Protection Act of 2006 requires certain changes to the minimum funding requirements, among other provisions, commencing in 2008. Amounts contributed to the defined benefit plans are based on actuarial valuations. Contributions to union plans are based on union employee gross salary levels and rates required under union contractual arrangements. Contributions to the Hospital’s defined contribution plan are generally based on percentages of annual salaries. For a statement as to funding of pension obligations, see Note 9 of the 2011 audited financial statements of the Hospital.

### **Licensure and Accreditation**

The Hospital has operating certificates from the New York State Department of Health and the New York State Office of Mental Health. The State of New York Division of Alcoholism and Alcohol Services (now the Office of Alcoholism and Substance Abuse Services) issued operating certificates for inpatient alcohol rehabilitation and outpatient alcoholism treatment for the Westchester Division. The Hospital is accredited by The Joint Commission.

### **Educational Programs**

In addition to its academic affiliation with Cornell, the Midtown Campus also provides clinical training to nursing students through affiliations with more than nineteen educational institutions located in New York, Connecticut, New Jersey and Pennsylvania and clinical training in radiation technology to approximately fifteen students through an affiliation with New York City Technical College.

In addition to its academic affiliation with Columbia, the Uptown Campus provides clinical training to nursing and other students in medical related fields through affiliations with approximately fifteen educational institutions located in New York, Connecticut and Pennsylvania.

### **Service Area, Other Area Hospitals and Utilization**

#### *Service Area*

The Hospital serves a geographic area with diverse communities across the five boroughs of New York City (Manhattan, Bronx, Brooklyn, Queens and Staten Island) and a broader 11-county service area in the Tri-State area (the New York State counties of Westchester, Nassau, Suffolk, Dutchess, Rockland and Orange; the New Jersey counties of Bergen, Hudson, Essex, and Monmouth; and the Connecticut county of

Fairfield). As the primary quaternary and tertiary referral center for the System, the Hospital draws patients from its affiliate members located in New York, Connecticut and New Jersey.

The Midtown Campus' core service area is defined as the Upper East Side of Manhattan and Western Queens, with portions of Brooklyn and Manhattan included in its broader service area. The service area population is highly diverse with significant variation by neighborhood in terms of primary care access and health status. The core service area of the Uptown Campus (inclusive of MS-CHONY) and the Allen Hospital, includes the Upper Manhattan neighborhoods of Washington Heights-Inwood and Central Harlem-Morningside Heights, West Harlem, the Kingsbridge-Riverdale and Highbridge-Morris Heights neighborhoods in the Bronx, and portions of Northern New Jersey. For the most part, the population in this region is ethnically diverse, economically distressed, and has traditionally experienced difficulty accessing primary care services.

The Westchester Division, located in White Plains, New York, attracts patients from a wide geographic area, with a majority of patients coming from Westchester County. Westchester County comprises urban, suburban and rural areas, which are socio-economically and ethnically diverse.

In 2011, the payor mix for the Hospital's service based on inpatient discharges was primarily Medicaid (27.5%) and Medicare (32.9%) followed by Blue Cross and Commercial insurance (37.9%), Self-Pay/Uninsured, Other, and Worker's Compensation (1.7%).

#### Utilization

A summary of historical utilization data for the calendar years ended December 31, 2009, 2010 and 2011 for the Hospital is presented in the following table:

#### HISTORICAL UTILIZATION OF THE HOSPITAL FOR CALENDAR YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	<u>Year Ended December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Certified Beds	2,278	2,298	2,298
Staffed Beds	2,249	2,261	2,264
Discharges <sup>1</sup>	101,966	106,459	105,339
Patient Days <sup>1</sup>	703,994	712,429	690,646
Staffed Bed Days Available	820,885	825,265	826,360
Average Length of Stay (in days)	6.33	6.31	6.39
Average Case Mix Index (Medicare and Non-Medicare) <sup>2</sup>	1.57	1.58	1.59
Average % Occupancy <sup>1,3</sup>	85.7%	86.2%	83.6%
Medical-Surgical	84.3%	85.0%	82.1%
Maternity	95.5%	87.1%	84.5%
Psychiatry	90.9%	95.1%	92.9%
Burn/Rehabilitation	76.5%	72.8%	75.0%
Alcohol Detoxification	67.8%	72.3%	66.2%
Emergency Room Visits <sup>4</sup>	262,320	255,835	261,513
Outpatient Clinic Visits	705,874	694,352	680,160
Ambulatory Surgery Procedures	75,959	71,145	76,689
Mental Health Clinic Visits	115,311	107,618	104,640

<sup>1</sup> Excludes newborns.

<sup>2</sup> 2009-2011 Case Mix is calculated using APRDRG for non Medicare.

<sup>3</sup> Occupancy percentages based on staffed bed days available.

<sup>4</sup> Includes admissions.

Source: Hospital records.

## *Management's Discussion*

From the year ended December 31, 2009 to the year ended December 31, 2011, Hospital volume (excluding newborns) was stable while cash flow improved due to significant investments in new programs as well as several revenue focused projects. As a result of these new programs and expanded patient care areas, the Hospital experienced favorable trends in discharges and patient days. Over the past two years, the Hospital has had favorable financial results, despite the global economic crisis. The Hospital invested in a variety of programs including cardiology, oncology, transplant services and the emergency department. NYPH also made strategic investments to support that growth and other hospital-wide strategic initiatives. These efforts have included refinements in the following key operational areas:

**Bedside / Nursing Enhancements** - As part of an overall strategy to ensure appropriate alignment with patient needs and application of best practices to maximize patient safety, quality and customer service the Hospital invested in nursing to enhance nursing care hours and improve staffing levels. Hospital management continues to make investments in nursing to increase care hours per patient day toward national average levels in order to maintain and enhance the quality of care.

**Emergency Department** - The Hospital invested in expanding the Emergency Department as a part of the Hospital's long term strategy to improve length of stay, admission capacity and patient services.

**Information Technology** - Today's technology driven environment has placed increased reliance on the Hospital's clinical and financial systems in the delivery of safer, more efficient patient care, improved revenue capture and procurement of medical supplies. This advancement in technology is coupled with higher system maintenance costs. As a result the Hospital invested in information technology.

**Environmental Services and Facility Maintenance** - As part of the Hospital's overall Patient Centered Care strategy and ensuring that our patients receive care in a safe and clean environment, the Hospital invested in environmental service staffing, to enforce the "Clean and Safe" initiative and update facility maintenance efforts.

**Revenue Cycle Committee** - In 2001 the Hospital established a Revenue Cycle Committee that includes financial, information technology, clinical, service line and operational staff for all services. This Committee has been extremely productive over the last eleven years. The efforts focus on improving processes to secure accurate information capture throughout the various components of the revenue cycle.

**Length of Stay Initiatives** - The Hospital continues to enhance the initiatives implemented in 2006 designed to reduce length of stay from a benchmark expected length of stay. This hospital-wide effort has been undertaken to increase capacity to allow increased volume as well as future growth.

**Management Initiatives** - The Hospital has continued the Strategic Sourcing initiative. The Strategic Sourcing Committee has been successful not only in decreasing Hospital operating expenses, but has worked to minimize supplier risk, create and maintain effective supplier relationships, monitor the quality of medical supplies received, and leverage supplier information to negotiate better contracts.

**Patient Safety Friday** - Defined patient safety activities take place across all campuses. Mornings are devoted to Education, Tracers of Clinical and Environmental Issues, and Issue Resolution.

### *Year ended December 31, 2010 compared to year ended December 31, 2009*

Discharges increased by 4.41% to 106,459 in the year ended December 31, 2010. Over the same period, the case mix increased 0.01%, reflecting an increase in the overall severity of cases. Patient days increased by 1.20% to 712,429 from 703,994 in the prior year. The Hospital also experienced lower outpatient

volumes with a decrease in emergency room visits (-2.47%), and other services such as outpatient clinic visits (-1.63%), mental health clinic visits (-6.67%), and ambulatory surgery procedures (-6.34%).

*Year ended December 31, 2011 compared to year ended December 31, 2010*

Discharges decreased by 1.05% to 105,339 in the year ended December 31, 2011. Over the same period, the case mix increased 0.01%, reflecting an increase in the overall severity of cases. Patient days decreased by 3.06% to 690,646 from 712,429 in the prior year. The Hospital also experienced higher outpatient volumes with, increase in services such as emergency room visits (2.22%), and ambulatory surgery procedures (7.79%), offset by a decrease in outpatient clinic visits (-2.04%) and mental health clinic visits (2.77%).

### Summary of Historical Revenue and Expenses

The following data in the Summary Statements of Operations for each of the three years ended December 31, 2009, 2010 and 2011 are derived from the Hospital's financial statements. The data should be read in conjunction with the Hospital's financial statements and related notes included in Appendix C.

#### SUMMARY STATEMENTS OF OPERATIONS (In thousands)

	<b>Year Ended December 31,</b>		
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
<b>Operating Revenues</b>			
Net patient service revenue	\$3,049,625	\$3,266,191	\$3,452,618
Other revenue	<u>171,567</u>	<u>194,314</u>	<u>226,202</u>
Total Operating Revenues	<u>3,221,192</u>	<u>3,460,505</u>	<u>3,678,820</u>
<b>Operating Expenses</b>			
Salaries and wages	1,489,980	1,585,323	1,668,635
Employee benefits	373,155	413,772	448,031
Supplies and other expenses	1,048,087	1,085,361	1,104,495
Interest and amortization of deferred financing fees	35,939	51,416	50,099
Depreciation and amortization	<u>191,997</u>	<u>209,800</u>	<u>227,510</u>
Total operating expenses	<u>3,139,158</u>	<u>3,345,672</u>	<u>3,498,770</u>
Operating income	82,034	114,833	180,050
Investment return	<u>92,780</u>	<u>83,211</u>	<u>(11,850)</u>
Excess of revenues over expenses before accrual of net medical resident tax refund	174,814	198,044	168,200
Accrual of net medical resident tax refund	<u>-</u>	<u>14,279</u>	<u>540</u>
<b>Excess of Revenue Over Expenses</b>	<b><u>174,814</u></b>	<b><u>212,323</u></b>	<b><u>168,740</u></b>
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>			
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	91,109	92,610	53,582
Change in pension and postretirement benefit liabilities to be recognized in future periods	<u>33,800</u>	<u>7,170</u>	<u>(118,281)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b><u>\$299,723</u></b>	<b><u>\$312,103</u></b>	<b><u>\$104,041</u></b>

Source: Audited Financial Statements of the Hospital for the years ended December 31, 2009, 2010 and 2011.

## ***Management's Discussion and Analysis of Financial Performance***

### *Year ended December 31, 2010 compared to year ended December 31, 2009*

For the year ended December 31, 2010, the Hospital had an excess of revenues over expenses of \$212.3 million which represented a \$37.5 million increase from the \$174.8 million reported for the year ended December 31, 2009.

During 2010, net patient service revenue increased approximately \$216.5 million (7.1%) over the previous year to approximately \$3.3 billion. This increase was primarily attributable to increases in inpatient volume, managed care rates and increased realization from improved revenue cycle processes. Other revenue increased by \$22.7 million (13.26%) primarily due to increases in rental of space (\$5.7 million), cafeteria and vending (\$1.0 million) and Other revenues such as rebates and income in joint ventures (\$9.9 million) for 2010.

Total operating expenses increased approximately \$206.5 million (6.58%) in 2010 over 2009. Salaries and wages increased approximately \$95.3 million (6.40%) due to salary increases and an increase in FTEs. Employee benefits during the same period increased \$40.6 million (10.88%) due to an increase in the number of employees as well as increases in healthcare costs and pension expenses.

Supplies and other expenses increased approximately \$37.3 million (3.56%) over the previous year, primarily due to increases medical and surgical supplies (\$13.1 million), the cost of drugs (\$6.5 million), repairs and maintenance (\$18.5 million), food and nutrition (\$1.5 million), malpractice insurance (\$4.8 million), bad debt expenses (\$1.6 million), all other insurance (\$8.2 million), and general expenses (\$9.0 million), offset in part by decreases in the cost of blood (\$10.7 million), decrease in utilities (\$7.8 million) and in professional and other fees (\$3.8 million). Interest expense increased by approximately \$15.5 million (43.1%) due to the completion of the major Hospital projects financed with the 2007 mortgage. Depreciation expense continued to increase reflecting the completion of a number of Hospital capital projects.

### *Year ended December 31, 2011 compared to year ended December 31, 2010*

For the year ended December 31, 2011, the Hospital had an excess of revenues over expenses of \$168.7 million which represented a \$43.6 million decrease from the \$212.3 million reported for the year ended December 31, 2010.

During 2011, net patient service revenue increased approximately \$186.4 million (5.71%) over the previous year to approximately \$3.5 billion. This increase was primarily attributable to managed care rates and increased realization from improved revenue cycle processes. Other revenue increased by \$31.9 million (16.4%) primarily due to increases in rental of space (\$11.7 million) and grants (\$1.9 million) and other revenues such as rebates and income in joint ventures (\$18.2 million).

Total operating expenses increased approximately \$153.1 million (4.58%) in 2011 over the previous year. Salaries and wages increased approximately \$83.3 million (5.26%) due to salary increases and an increase in FTEs. Employee benefits during the same period increased \$34.3 million (8.28%) due to an increase in the number of employees as well as increases in healthcare costs and pension expenses.

Supplies and other expenses increased approximately \$19.1 million (1.76%) over the previous year, primarily due to increases in professional and other fees (\$12.4 million), medical and surgical supplies (\$14.7 million), cost of drugs (\$2.1 million), general expenses (\$10.0 million), repairs and maintenance (\$13.2 million), bad debt expenses (\$1.0 million), offset in part by decreases in malpractice insurance (\$24.4 million), the cost of blood (\$6.5 million), and all other insurance (\$1.3 million). Interest expense decreased by approximately \$1.3 million due to a reduced mortgage amount. Depreciation expense continued to increase reflecting the completion of a number of Hospital capital projects.



Included in the notes to the Financial Statements included in Appendix C are disclosures related to Uncompensated Care; Insurance; and Pension Liability.

### Sources of Patient Service Revenue

The major portion of revenue received by the Hospital is derived from third-party payors. The Hospital is a provider under the Medicare and Medicaid programs and receives payments from Empire Blue Cross and Blue Shield (“Blue Cross”) and other commercial insurance and managed care companies. The following table shows the percentage distribution of inpatient discharges by payor source for each of the years ended December 31, 2009, 2010 and 2011.

	<b>Percent of Inpatient Discharges by Payor Source</b>		
	<b><u>Year Ended December 31</u></b>		
<b><u>Payor</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Medicare	31.1%	30.8%	32.9%
Medicaid	27.8%	29.0%	27.5%
Blue Cross, Commercial/HMO	39.7%	38.5%	37.9%
Self Pay, No Fault, Workers Compensation	1.4%	1.7%	1.7%
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

Source: Hospital records.

All revenue, statistics and reimbursement information in this section represent historical data and may not be indicative of future activity. The Hospital cannot assess or predict the ultimate effect on its operations which may result from existing or future reimbursement legislation or regulations.

### Liquidity

The following table sets forth the Hospital’s unrestricted cash and investments and average daily operating expenses as of December 31, 2009, 2010 and 2011 and certain financial ratios derived therefrom.

	<b>As of December 31</b>		
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
(dollars in thousands)			
Unrestricted cash and investments <sup>(1)</sup>	\$841,555	\$1,106,958	\$1,341,560
Average daily operating expenses <sup>(2)</sup>	\$8,074	\$8,591	\$8,962
Days cash on hand <sup>(3)</sup>	104.23	128.85	149.69

<sup>(1)</sup> Includes all cash and cash equivalents (exclusive of any donor or other third party restricted funds), short-term investments and funded depreciation investments that are not restricted by donors or other third parties.

<sup>(2)</sup> Total operating expenses for the period exclusive of depreciation and amortization divided by number of days in the period.

<sup>(3)</sup> Unrestricted cash and investments divided by average daily operating expenses.

## Debt Service Coverage

The following table sets forth the Hospital's debt service coverage for the years ended December 31, 2009, 2010 and 2011.

(dollars in thousands)	<u>2009</u>	<u>2010</u>	<u>2011</u>
Excess of revenues over expenses	\$174,814	\$212,323	\$168,740
Depreciation and amortization	191,997	209,800	227,510
Interest and amortization of financing Fees	35,939	51,416	50,099
Income available for debt service	\$402,750	\$473,539	\$446,349
Debt service	\$105,509	\$122,500	\$127,891
Debt service coverage ratio	3.82	3.87	3.49

## Investments

The Hospital's short-term investments and assets limited as to use consist of the following as of December 31, 2011 (dollars in thousands):

Cash and cash equivalents	\$86,874
Fixed Income	
U.S. government	286,707
Non-U.S. government	4,418
Corporate	106,507
Mortgage and asset backed	100,149
Other	4,119
Equities	
U.S. equities	130,247
Non-U.S. equities	106,811
Real assets	16,032
Mutual funds	22,075
Common Collective Trusts	136,128
Alternative investments*	276,016
Total	\$1,276,083

\*Includes hedge funds, investments in private equity firms and real asset funds.

The Hospital Board of Trustees has adopted an Investment Committee Charter which sets forth guidance for the Investment Committee as to how to implement their investment responsibilities. The Investment committee of the Board provides ongoing oversight and the management of all funds belonging to the Hospital. The overall investment objective of the funds is to preserve the Hospital's ability to meet future capital and investment needs. The asset allocation of the funds is determined by the Investment Committee, subject to minimum and maximum percentage allocations. These allocations are to be reviewed periodically by the Investment Committee. In addition, the Investment Committee limits concentration of investments. The retention of investment managers and review of their performance is under the purview of the Investment Committee. The Hospital utilizes an external investment consultant to provide professional investment analysis and to assist in evaluating the performance of the fund managers. In 2007, the Hospital hired a Chief Investment Officer dedicated to the oversight of the portfolio.

## Capitalization

The following table sets forth the long-term debt, net of current portion, net assets – unrestricted, total capitalization and percentage of debt to capitalization of the Hospital at December 31, 2009, 2010 and 2011:

(dollars in thousands)	As of December 31		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Long-term Debt, net of current portion	\$801,145	\$751,262	\$696,303
Net Assets - Unrestricted	1,481,988	1,794,091	1,898,132
Total Capitalization	\$2,283,133	\$2,545,353	\$2,594,435
Percentage of Debt to Capitalization	35.09%	29.52%	26.84%

## CAPITAL EXPENDITURES/FUTURE PLANS

In 2009, 2010 and 2011, Hospital incurred capital expenditures of approximately \$277.0 million, \$232.0 million and \$229.0 million respectively, for acquisition of plant, property and equipment (net of disposals). These expenditures were funded from internally generated cash flow, donations and bond financing.

### Building Programs

At the New York-Presbyterian Hospital/Columbia University Medical Center campus, The Seymour and Vivian Milstein Heart Center is taking its place as one of the cornerstones of the institution. Operations staff and physicians occupied the new building in early 2010.

At the New York-Presbyterian Hospital/Weill Cornell Medical Center campus, a new floor atop the Greenberg Pavilion opened on July 14, 2009. Greenberg 14 gives the Hospital 20 additional amenities rooms and 28 single-bedded rooms. In addition, the Advanced Therapeutic Services Center, which includes additional emergency room bays, operating rooms and interventional radiology rooms, opened on the Weill Cornell Campus in 2009.

The new Ronald O. Perelman Heart Institute is the center for cardiac services at New York-Presbyterian/Weill Cornell, treating everything from life-threatening arrhythmias to complex coronary disease.

### Fund Raising

In 2011 and 2010, Fund, Inc. on behalf of the Hospital received approximately \$138.2 million and \$96.5 million, respectively, in new gifts and pledges from individual, foundation and corporate donors for capital acquisitions and other purposes. Fund, Inc., on behalf of the Hospital, exceeded its \$1.0 billion fundraising campaign target and has received more than 80% of the pledged contributions in cash. Approximately \$600 million of the \$1.0 billion fundraising campaign has been targeted for the Capital Investment Plan.

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**APPENDIX C—AUDITED FINANCIAL STATEMENTS OF ROYAL CHARTER PROPERTIES,  
INC. AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, UNAUDITED  
FINANCIAL STATEMENTS OF ROYAL CHARTER PROPERTIES, INC. FOR THE THREE-  
MONTH PERIODS ENDED MARCH 31, 2012 AND 2011, AND AUDITED FINANCIAL  
STATEMENTS OF THE NEW YORK AND PRESBYTERIAN HOSPITAL FOR THE YEARS  
ENDED DECEMBER 31, 2011 AND 2010**

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FINANCIAL STATEMENTS

Royal Charter Properties, Inc.  
Years Ended December 31, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP



Royal Charter Properties, Inc.

Financial Statements

Years Ended December 31, 2011 and 2010

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Statements of Cash Flows.....	4
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## Report of Independent Auditors

Board of Directors  
Royal Charter Properties, Inc.

We have audited the accompanying statements of financial position of Royal Charter Properties, Inc. (the “Company”) as of December 31, 2011 and 2010, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Royal Charter Properties, Inc. at December 31, 2011 and 2010, and the results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

April 27, 2012

Royal Charter Properties, Inc.

Statements of Financial Position

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,309	\$ 1,113
Tenant accounts receivable, less allowance for uncollectibles (2011 – \$887; 2010 – \$840)	1,442	1,796
Tenant security deposits held in trust	2,350	2,114
Other current assets	1,331	1,270
Total current assets	<u>6,432</u>	<u>6,293</u>
Assets limited as to use <i>(Note 2)</i>	2,408	2,408
Investments in real estate	800	800
Property, buildings and equipment – net <i>(Note 3)</i>	63,422	63,122
Deferred financing costs – net of accumulated amortization (2011 – \$946; 2010 – \$876)	820	890
Accrued rent receivable	260	345
Total assets	<u>\$ 74,142</u>	<u>\$ 73,858</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt <i>(Note 4)</i>	\$ 824	\$ 1,225
Accounts payable and accrued expenses	7,524	7,433
Tenant security deposits payable	2,350	2,114
Due to related organizations, net <i>(Note 5)</i>	615	1,425
Total current liabilities	<u>11,313</u>	<u>12,197</u>
Long-term debt – less current portion <i>(Note 4)</i>	<u>30,251</u>	<u>31,083</u>
Total liabilities	<u>41,564</u>	<u>43,280</u>
Commitments and contingencies <i>(Notes 4 and 5)</i>		
Net assets:		
Unrestricted	32,578	30,578
Total liabilities and net assets	<u>\$ 74,142</u>	<u>\$ 73,858</u>

See accompanying notes.

Royal Charter Properties, Inc.

Statements of Operations and Changes in Net Assets

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Revenue</b>		
Rental income:		
Tenant <i>(Note 6)</i>	\$ 27,936	\$ 26,605
Parking	18,689	18,078
Miscellaneous	529	409
Total rental income	<u>47,154</u>	45,092
Interest income	136	131
Total revenue	<u>47,290</u>	45,223
<b>Expenses</b>		
Salaries and benefits <i>(Note 5)</i>	2,303	1,712
Salaries and benefits – contracted services	9,127	8,703
Supplies and other expenses	14,318	14,875
Depreciation	3,416	3,238
Interest expense and amortization of deferred financing costs <i>(Note 4)</i>	1,856	1,956
Total expenses	<u>31,020</u>	30,484
Excess of revenue over expenses	16,270	14,739
Distributions to The New York and Presbyterian Hospital <i>(Note 5)</i>	<u>(14,270)</u>	(14,739)
Change in net assets	2,000	–
Net assets at beginning of year	30,578	30,578
Net assets at end of year	<u>\$ 32,578</u>	<u>\$ 30,578</u>

*See accompanying notes.*

Royal Charter Properties, Inc.

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ 2,000	\$ –
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,416	3,238
Amortization of deferred financing costs	70	80
Distributions to The New York and Presbyterian Hospital	14,270	14,739
Changes in operating assets and liabilities:		
Tenant accounts receivable and accrued rent receivable	439	12
Other current assets	(61)	76
Accounts payable and accrued expenses	91	1,639
Due to related organizations	(810)	(194)
Net cash provided by operating activities	<u>19,415</u>	<u>19,590</u>
<b>Investing activities</b>		
Acquisition of property, buildings and equipment	(3,716)	(3,167)
Net purchases of assets limited to use	–	(58)
Net cash used in investing activities	<u>(3,716)</u>	<u>(3,225)</u>
<b>Financing activities</b>		
Principal repayments on long-term debt	(1,233)	(2,158)
Distributions to The New York and Presbyterian Hospital	(14,270)	(14,739)
Net cash used in financing activities	<u>(15,503)</u>	<u>(16,897)</u>
Net increase (decrease) in cash and cash equivalents	196	(532)
Cash and cash equivalents at beginning of year	1,113	1,645
Cash and cash equivalents at end of year	<u>\$ 1,309</u>	<u>\$ 1,113</u>

*See accompanying notes.*

# Royal Charter Properties, Inc.

## Notes to Financial Statements

December 31, 2011

### 1. Organization and Significant Accounting Policies

#### Organization

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

The following is a summary of significant accounting policies:

*Basis of Financial Statement Presentation:* The accompanying financial statements are prepared on the accrual basis of accounting and do not include accounts of related organizations.

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

*Cash and Cash Equivalents:* The Company classifies as cash equivalents all highly liquid investments with a maturity of three months or less when purchased and which are not assets limited as to use or tenant security deposits. At December 31, 2011 and 2010, the Company maintained cash on deposit with major banks; however, such deposits exceeded federally insured limits.

*Assets Limited as to Use:* Assets so classified represent assets whose use is limited for specific purposes under terms of debt agreements. These assets are recorded at fair value based on observable values for similar instruments and quoted market prices (see Note 7).

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**1. Organization and Significant Accounting Policies (continued)**

*Deferred Financing Costs:* Deferred financing costs are amortized over the lives of the related borrowings using the effective interest method.

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

*Investments in Real Estate:* The Company's investments in real estate are carried at cost. The Company holds a 10% ownership interest in a real estate holding company joint venture, which includes four other not-for-profit organizations. The joint venture consists of a residential building complex which is used in part to house employees of the participating organizations and related entities.

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

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

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**2. Assets Limited as to Use**

Assets limited as to use consist of the following at December 31, 2011 and 2010, at fair value:

	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Money market funds	\$ 2,408	\$ 117
Fixed income security – guaranteed investment contract	–	2,291
	<b>\$ 2,408</b>	<b>\$ 2,408</b>

Assets limited as to use are maintained in a debt service reserve fund in accordance with the loan agreements under the Company’s Series 2001 Bonds (see Note 4).

**3. Property, Buildings and Equipment**

A summary of property, buildings and equipment follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Land	\$ 9,107	\$ 9,107
Buildings and building improvements	116,035	112,902
Equipment	1,906	1,774
	<b>127,048</b>	123,783
Less accumulated depreciation	<b>64,619</b>	61,203
	<b>62,429</b>	62,580
Construction-in-progress	993	542
	<b>\$ 63,422</b>	<b>\$ 63,122</b>

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

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**4. Long-Term Debt**

A summary of long-term debt follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Bonds payable <sup>(a)</sup>	\$ 26,800	\$ 27,465
Mortgage loan <sup>(b)</sup>	—	450
Mortgage loan <sup>(c)</sup>	4,275	4,393
	<b>31,075</b>	32,308
Less current portion	<b>824</b>	1,225
	<b>\$ 30,251</b>	<b>\$ 31,083</b>

(a) In September 2001, the Company issued \$31.9 million of New York City Industrial Development Agency (“IDA”) Parking Facility Revenue Bonds (Royal Charter Properties, Inc. – The New York and Presbyterian Hospital Leasehold Project) Series 2001 (the “Bonds”). The Bonds were issued to finance the renovation and improvement of a parking garage which was transferred by the Hospital to the Company during 2000, fund a debt service reserve fund, finance capitalized interest related to the renovation project and pay certain costs of issuance. The Bonds, which require annual principal payments, consist of \$3.9 million, 5.38% term bonds due December 15, 2016; \$16.9 million, 5.75% term bonds due December 15, 2029; and \$6.0 million, 5.25% term bonds due December 15, 2032. The Bonds are commercially insured by Financial Security Assurance Inc.

In order to effectuate the financing, the Company entered into a sublease agreement with the IDA and entered into a noncancellable operating lease with the Hospital, for a period not longer than 29 years, whereby the Hospital will lease 50% of the parking spaces at an amount sufficient to cover the debt service on the Bonds. Future minimum lease payments to be paid by the Hospital are as follows (in thousands):

2012	\$ 2,197
2013	2,199
2014	2,199
2015	2,197
2016	2,198
Thereafter	35,169



Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**4. Long-Term Debt (continued)**

- (b) In December 2000, the Company executed a mortgage loan with an initial principal value of \$5.0 million in connection with the acquisition of certain property. The mortgage loan called for monthly principal and interest payments through July 2011 and carried fixed interest at 5.0%.
- (c) In October 2005, the Company executed a ten-year \$4.9 million mortgage loan for the purchase of a building. The loan carries interest at a fixed rate of 5.5%. Payments of principal and interest are due quarterly through October 2015.

Pursuant to certain of its debt agreements, the Company is required to maintain specific debt service coverage ratios and other financial ratios. The Company was in compliance with such requirements at December 31, 2011 and 2010.

Required principal payments on all long-term debt for each of the five years subsequent to December 31, 2011 are as follows (in thousands):

2012	\$	824
2013		871
2014		919
2015		4,669
2016		865

Interest paid on all borrowings for the years ended December 31, 2011 and 2010 aggregated approximately \$1.8 million and \$1.9 million, respectively.

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**5. Related Organizations**

The following balances are due (to) from the Company's related organizations:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Hospital <sup>(a)</sup>	<b>\$ (154)</b>	\$ (1,126)
New York Gracie Square Hospital ("NYGSH") <sup>(b)</sup>	<b>3</b>	3
Fund, Inc. <sup>(c)</sup>	<b>(435)</b>	(302)
Royal Charter Properties-East, Inc. ("RCP-East") <sup>(d)</sup>	<b>(29)</b>	-
	<b><u>\$ (615)</u></b>	<b><u>\$ (1,425)</u></b>

(a) Amounts due to the Hospital represent the net unpaid portion of distributions to the Hospital in accordance with the Company's certificate of incorporation, rental payments due from the Hospital and certain disbursements made by the Hospital on behalf of the Company. All income collected, less expenses and reasonable reserves, is distributed to the Hospital. Such amounts aggregated approximately \$14.3 million and \$14.7 million for the years ended December 31, 2011 and 2010, respectively. The Hospital rents certain office and parking space from the Company for which rental payments are based on fair values and aggregated approximately \$3.8 million for each of the years ended December 31, 2011 and 2010.

In the accompanying statements of operations and changes in net assets, salaries and benefits expense includes amounts allocated from the Hospital of approximately \$2.3 million and \$1.7 million for the years ended December 31, 2011 and 2010, respectively.

(b) The Company owns certain properties used by and leased to NYGSH, a related entity. Rental income under the related leases amounted to approximately \$30,000 and \$70,000 for the years ended December 31, 2011 and 2010, respectively, which approximates depreciation on the properties and interest on an underlying mortgage that was repaid in 2010. The net book value of the properties as of December 31, 2011 is \$3.6 million. The term of the lease is through December 31, 2032. In June 2008, the Company guaranteed a \$15.0 million loan between NYGSH and a commercial lender. The terms of the agreement call for quarterly principal and interest payments through June 2023. The outstanding balance of the loan was \$12.4 million at December 31, 2011.

## Royal Charter Properties, Inc.

### Notes to Financial Statements (continued)

#### 5. Related Organizations (continued)

- (c) The balance due to Fund, Inc. represents Fund, Inc.'s portion of rental income collected by the Company, which will be remitted in 2012. The Company acts as a management agent for certain condominium units purchased by Fund, Inc. in 1997.
- (d) The amount due to RCP-East, an affiliated organization, represents recoverable operating expenses which are reimbursed on a current basis, to the extent funds are available.

The Company entered into a guarantee agreement in 2006 in connection with RCP-East's Series 2006 bonds. Under the guarantee agreement, the Company guarantees due and punctual payment when due of all amounts for which RCP-East is personally liable under certain limited provisions of its credit enhancement instruments. The maximum guarantee at December 31, 2011 is \$165.3 million.

#### 6. Rental Agreements

The majority of the Company's tenant rental agreements are short-term and are renewed annually. Future rental receipts under rental agreements with lease terms that exceed one year are expected as follows (excluding the agreements disclosed in Note 4) (in thousands):

2012	\$	1,171
2013		671
2014		250
2015		250
2016		83

#### 7. Fair Value Measurements

The Company utilizes various methods of calculating fair value for its financial assets and liabilities, when applicable. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and has established a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the Company's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**7. Fair Value Measurements (continued)**

The Company has established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers nonperformance risk in its assessment of fair value. The Company's financial instruments, as defined by the three-level valuation hierarchy, at December 31, 2011 are as follows (in thousands):

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents (including tenant security deposits)	\$ 3,659	\$ 3,659	\$ —	\$ —
Money market fund	2,408	2,408	—	—
<b>Total assets at fair value</b>	<b>\$ 6,067</b>	<b>\$ 6,067</b>	<b>\$ —</b>	<b>\$ —</b>

Royal Charter Properties, Inc.

Notes to Financial Statements (continued)

**7. Fair Value Measurements (continued)**

The Company's financial instruments, as defined by the three-level valuation hierarchy, at December 31, 2010 are as follows (in thousands):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents (including tenant security deposits)	\$ 3,227	\$ 3,227	\$ -	\$ -
Money market fund	117	117	-	-
Fixed income security – guaranteed investment contract	2,291	-	2,291	-
Total assets at fair value	<u>\$ 5,635</u>	<u>\$ 3,344</u>	<u>\$ 2,291</u>	<u>\$ -</u>

Fair value for Level 1 is based on quoted market prices. Fair value for Level 2 is based on observable values for similar instruments.

The Company's long-term debt obligations at carrying value totaled \$31.1 million and \$32.3 million at December 31, 2011 and 2010, respectively. The fair value of the Company's bonds payable is based on quoted market prices for the related Bonds. The fair values of mortgage loans are deemed to approximate carrying value. The fair value of long-term debt at December 31, 2011 is approximately \$32.2 million (\$33.7 million at December 31, 2010).

**8. Events Subsequent to December 31, 2011**

Subsequent events have been evaluated through April 27, 2012 which is the date the financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the financial statements.

Ernst & Young LLP

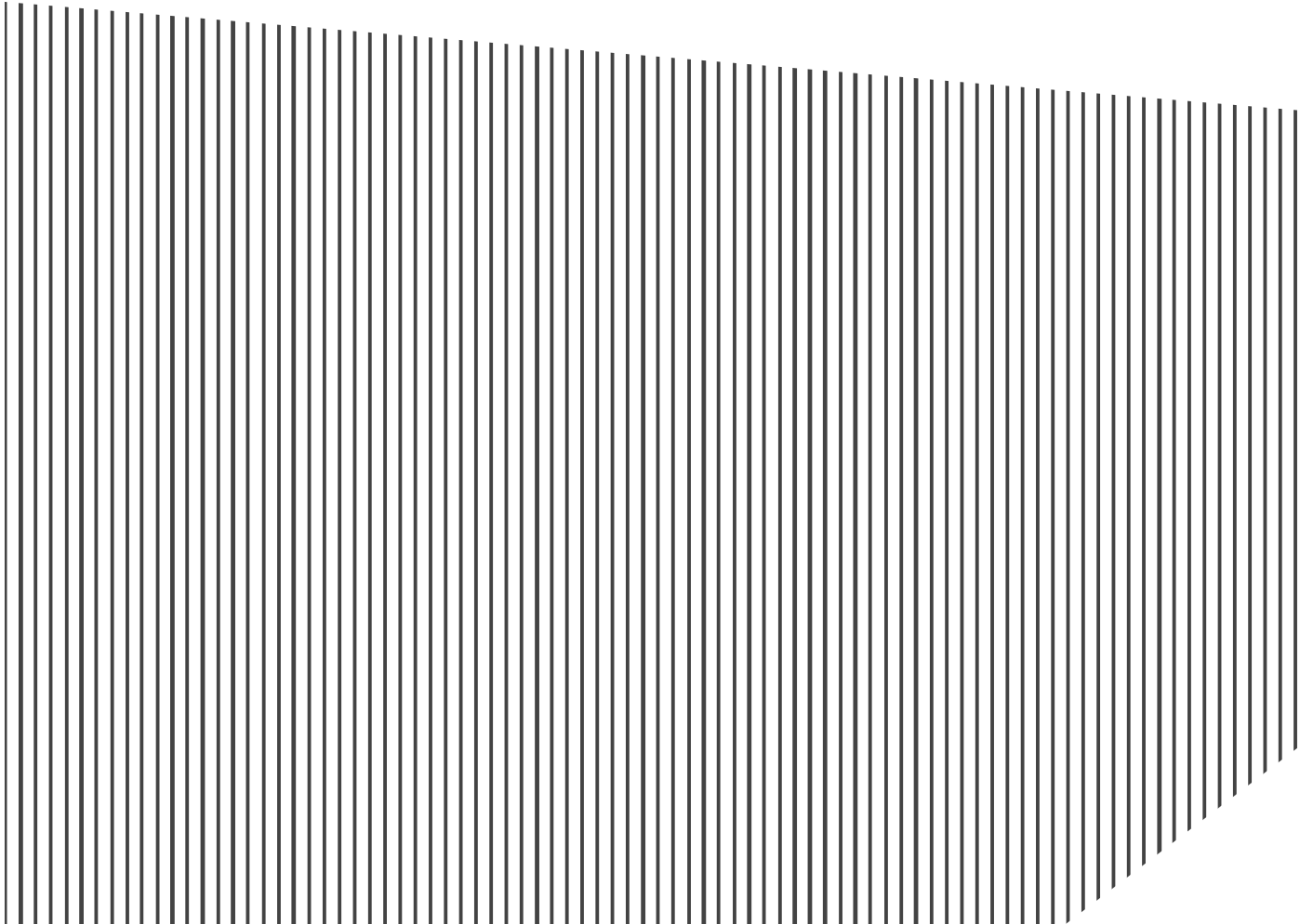
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UNAUDITED FINANCIAL STATEMENTS

Royal Charter Properties, Inc.

As of and for the Three Month Period Ended March 31, 2012 and  
for the Three Month Period Ended March 31, 2011

Royal Charter Properties, Inc.

Unaudited Financial Statements

As of and for the Three Month Period Ended March 31, 2012 and  
for the Three Month Period Ended March 31, 2011

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# Royal Charter Properties, Inc.

## Statements of Financial Position

	<b>Unaudited March 31, 2012</b>	<b>Audited December 31, 2011</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,807	\$ 1,309
Tenant accounts receivable, less allowance for uncollectibles (2012 - \$951; 2011 - \$887)	363	1,442
Tenant security deposits held in trust	2,396	2,350
Assets limited as to use – current portion	549	–
Other current assets	901	1,331
Total current assets	<u>8,016</u>	<u>6,432</u>
Assets limited as to use – less current portion	2,331	2,408
Investments in real estate	800	800
Property, buildings and equipment – net	63,487	63,422
Deferred financing costs – net of accumulated amortization (2012 - \$962; 2011 - \$946)	804	820
Accrued rent receivable	235	260
Total assets	<u>\$ 75,673</u>	<u>\$ 74,142</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 871	\$ 824
Accounts payable and accrued expenses	8,302	7,524
Tenant security deposits payable	2,396	2,350
Due to related organizations, net	1,352	615
Total current liabilities	<u>12,921</u>	<u>11,313</u>
Long-term debt – less current portion	<u>30,174</u>	<u>30,251</u>
Total liabilities	<u>43,095</u>	<u>41,564</u>
Commitments and contingencies		
Net assets:		
Unrestricted	<u>32,578</u>	<u>32,578</u>
Total liabilities and net assets	<u>\$ 75,673</u>	<u>\$ 74,142</u>

*See accompanying notes.*

Royal Charter Properties, Inc.

Unaudited Statements of Operations and Changes in Net Assets

	<b>Unaudited</b>	
	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2012</b>	<b>2011</b>
	<i>(In Thousands)</i>	
<b>Revenue</b>		
Rental income:		
Tenant	\$ 7,056	\$ 6,762
Parking	4,985	4,718
Miscellaneous	95	117
Total rental income	<u>12,136</u>	11,597
Interest income	30	30
Total revenue	<u>12,166</u>	11,627
<b>Expenses</b>		
Salaries and benefits	512	568
Salaries and benefits – contracted services	2,512	2,343
Supplies and other expenses	3,853	3,833
Depreciation	939	891
Interest expense and amortization of deferred financing costs	450	465
Total expenses	<u>8,266</u>	8,100
Excess of revenue over expenses	3,900	3,527
Distributions to The New York and Presbyterian Hospital	<u>(3,900)</u>	<u>(3,527)</u>
Change in net assets	–	–
Net assets at beginning of period	<u>32,578</u>	30,578
Net assets at end of period	<u>\$ 32,578</u>	<u>\$ 30,578</u>

*See accompanying notes.*

# Royal Charter Properties, Inc.

## Unaudited Statements of Cash Flows

	<b>Unaudited</b>	
	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2012</b>	<b>2011</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	939	891
Amortization of deferred financing costs	16	18
Distributions to The New York Presbyterian Hospital	3,900	3,527
Changes in operating assets and liabilities:		
Tenant accounts receivable and accrued rent receivable	1,104	(65)
Other current assets	430	445
Accounts payable and accrued expenses	778	574
Due to related organizations	737	546
Net cash provided by operating activities	<u>7,904</u>	<u>5,936</u>
<b>Investing activities</b>		
Acquisition of property, buildings and equipment	(1,004)	(1,204)
Net purchases of assets limited to use	(472)	(549)
Net cash used in investing activities	<u>(1,476)</u>	<u>(1,753)</u>
<b>Financing activities</b>		
Principal repayments on long-term debt	(30)	(179)
Distributions to The New York Presbyterian Hospital	(3,900)	(3,527)
Net cash used in financing activities	<u>(3,930)</u>	<u>(3,706)</u>
Net increase in cash and cash equivalents	2,498	477
Cash and cash equivalents at beginning of period	1,309	1,113
Cash and cash equivalents at end of period	<u>\$ 3,807</u>	<u>\$ 1,590</u>

*See accompanying notes.*

# Royal Charter Properties, Inc.

## Notes to Unaudited Financial Statements

March 31, 2012

### **Note A – Basis of Presentation**

The accompanying unaudited financial statements as of March 31, 2012 and for the three month period then ended, have been prepared in accordance with accounting principles generally accepted in the United States applied on a basis substantially consistent with that of the 2011 audited financial statements of Royal Charter Properties, Inc. (the “Company”). They do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The Company presumes that users of this interim financial information have read or have access to the Company’s audited financial statements and that the adequacy of additional disclosures needed for a fair presentation may be determined in that context. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Company’s most recent audited financial statements have been omitted.

### **Note B – Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as estimated uncollectibles for tenant accounts receivables, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates.

### **Note C – Fair Value Measurement**

The Company utilizes various methods of calculating fair value for its financial assets and liabilities, when applicable. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and has established a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the Company’s perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

## Royal Charter Properties, Inc.

### Notes to Unaudited Financial Statements (continued)

#### **Note C – Fair Value Measurement (continued)**

The Company has established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

All of the Company's financial assets that are carried at fair value (cash and cash equivalents, tenant security deposits held in trust and assets limited as to use) are categorized as Level 1. Fair value for Level 1 is based upon quoted market prices.

The fair value of the Company's bonds payable is based on quoted market prices for the related bonds. The Company obtains a price for each underlying bond from a third-party pricing source, which generally uses quoted or other observable inputs for the determination of fair value. For securities not actively traded, the third-party pricing source may use quoted market prices of comparable instruments or discounted cash flow analyses. The fair values of mortgage loans are based upon a discounted cash flow analysis. Fair values of bonds payable and mortgage payables are classified as Level 2. The fair value of long-term debt at March 31, 2012 is approximately \$32.1 million.

#### **Note D – Events Subsequent to March 31, 2012**

Subsequent events have been evaluated through June 19, 2012 which is the date the financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the financial statements.

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FINANCIAL STATEMENTS

The New York and Presbyterian Hospital  
Years Ended December 31, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

The New York and Presbyterian Hospital

Financial Statements

Years Ended December 31, 2011 and 2010

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## Report of Independent Auditors

The Board of Trustees  
The New York and Presbyterian Hospital

We have audited the accompanying statements of financial position of The New York and Presbyterian Hospital (the "Hospital") as of December 31, 2011 and 2010, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York and Presbyterian Hospital at December 31, 2011 and 2010, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1 and 8 to the accompanying financial statements, in 2011 the Hospital changed its method of accounting for estimated insurance claims receivable and estimated insurance claims liabilities with the adoption of Accounting Standards Update 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*.

*Ernst & Young LLP*

April 27, 2012

# The New York and Presbyterian Hospital

## Statements of Financial Position

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and short-term investments <i>(Note 13)</i> :		
Cash and cash equivalents	\$ 226,882	\$ 195,947
Short-term investments	517,666	287,348
Total cash, cash equivalents and short-term investments	744,548	483,295
Patient accounts receivable, less allowance for uncollectibles (2011 – \$215,668; 2010 – \$189,417)	394,840	394,553
Other current assets	57,003	54,041
Assets limited as to use – current portion <i>(Notes 3, 5 and 13)</i>	22,075	22,522
Due from related organizations – net <i>(Note 10)</i>	–	1,696
Professional liabilities insurance recoveries receivable – current portion <i>(Note 8)</i>	48,393	47,296
Beneficial interest in net assets held by related organizations – current portion <i>(Note 7)</i>	59,089	54,340
Total current assets	1,325,948	1,057,743
Assets limited as to use – non-current <i>(Notes 3, 5 and 13)</i> :		
Funded depreciation	597,012	624,686
Capital acquisition under lease agreements	438	70
Mortgage reserve funds under loan agreements	138,892	152,643
Total assets limited as to use – non-current	736,342	777,399
Property, buildings and equipment – net <i>(Note 4)</i>	1,794,501	1,761,111
Other non-current assets – net	81,444	85,227
Professional liabilities insurance recoveries receivable – non-current <i>(Note 8)</i>	150,133	153,171
Beneficial interest in net assets held by related organizations – non-current <i>(Note 7)</i>	1,270,558	1,283,597
Total assets	\$ 5,358,926	\$ 5,118,248

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Long-term debt – current portion <i>(Note 5)</i>	\$ 84,113	\$ 77,792
Accounts payable and accrued expenses	253,636	230,779
Accrued salaries and related liabilities	186,439	169,018
Due to related organizations – net <i>(Note 10)</i>	2,247	–
Pension and postretirement benefit liabilities – current portion <i>(Note 9)</i>	11,822	10,000
Professional liabilities – current portion <i>(Note 8)</i>	48,393	47,296
Other current liabilities <i>(Note 2)</i>	119,641	111,774
Total current liabilities	<u>706,291</u>	<u>646,659</u>
Long-term debt <i>(Note 5)</i>	696,303	751,262
Professional liabilities <i>(Note 8)</i>	282,847	296,388
Pension liability <i>(Note 9)</i>	253,459	141,113
Postretirement benefit liability <i>(Note 9)</i>	30,963	30,062
Deferred revenue <i>(Note 5)</i>	6,094	7,767
Other noncurrent liabilities <i>(Note 2)</i>	155,190	111,946
Total liabilities	<u>2,131,147</u>	<u>1,985,197</u>
Commitments and contingencies <i>(Notes 2, 5, 6, 8, 9, 10, 12 and 14)</i>		
Net assets:		
Unrestricted	1,898,132	1,794,091
Temporarily restricted:		
Temporarily restricted – held by Hospital	–	1,023
Temporarily restricted – held by related organization	1,116,955	1,123,309
Total temporarily restricted	<u>1,116,955</u>	<u>1,124,332</u>
Permanently restricted – held by related organizations	212,692	214,628
Total net assets	<u>3,227,779</u>	<u>3,133,051</u>
Total liabilities and net assets	<u>\$ 5,358,926</u>	<u>\$ 5,118,248</u>

*See accompanying notes.*

# The New York and Presbyterian Hospital

## Statements of Operations

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Net patient service revenue	<b>\$ 3,452,618</b>	\$ 3,266,191
Other revenue <i>(Note 11)</i>	<b>226,202</b>	194,314
Total operating revenues	<b>3,678,820</b>	3,460,505
<b>Operating expenses</b>		
Salaries and wages	<b>1,668,635</b>	1,585,323
Employee benefits	<b>448,031</b>	413,772
Supplies and other expenses	<b>1,104,495</b>	1,085,361
Interest and amortization of deferred financing fees	<b>50,099</b>	51,416
Depreciation and amortization	<b>227,510</b>	209,800
Total operating expenses	<b>3,498,770</b>	3,345,672
Operating income	<b>180,050</b>	114,833
Investment return <i>(Note 3)</i>	<b>(11,850)</b>	83,211
Excess of revenues over expenses before accrual of net medical resident tax refund	<b>168,200</b>	198,044
Accrual of net medical resident tax refund <i>(Note 14)</i>	<b>540</b>	14,279
Excess of revenues over expenses	<b>168,740</b>	212,323
Other changes in unrestricted net assets:		
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets <i>(Note 10)</i>	<b>53,582</b>	92,610
Change in pension and postretirement benefit liabilities to be recognized in future periods <i>(Note 9)</i>	<b>(118,281)</b>	7,170
Change in unrestricted net assets	<b>\$ 104,041</b>	\$ 312,103

*See accompanying notes.*

# The New York and Presbyterian Hospital

## Statements of Changes in Net Assets

	Unrestricted	Temporarily Restricted – Building and Equipment Replacement	Beneficial Interest in Temporarily and Permanently Restricted Net Assets Held by Related Organizations					Total Net Assets
			Plant Replacement	Specific Purpose	Endowment Earnings	Total Temporarily Restricted	Permanently Restricted	
<i>(In Thousands)</i>								
Net assets at January 1, 2010	\$ 1,481,988	\$ 6,023	\$ 482,034	\$ 406,598	\$ 199,787	\$ 1,088,419	\$ 210,972	\$ 2,787,402
Change in unrestricted net assets	312,103	–	–	–	–	–	–	312,103
Changes in beneficial interest in net assets held by related organizations <i>(Note 7)</i>	–	–	(806)	19,635	16,061	34,890	3,656	38,546
Net assets released from restrictions for operations	–	(5,000)	–	–	–	–	–	(5,000)
Change in net assets	312,103	(5,000)	(806)	19,635	16,061	34,890	3,656	345,649
Net assets at December 31, 2010	1,794,091	1,023	481,228	426,233	215,848	1,123,309	214,628	3,133,051
Change in unrestricted net assets	<b>104,041</b>	–	–	–	–	–	–	<b>104,041</b>
Changes in beneficial interest in net assets held by related organizations <i>(Note 7)</i>	–	–	<b>19,005</b>	<b>(3,021)</b>	<b>(22,338)</b>	<b>(6,354)</b>	<b>(1,936)</b>	<b>(8,290)</b>
Net assets released from restrictions for operations	–	<b>(1,023)</b>	–	–	–	–	–	<b>(1,023)</b>
Change in net assets	<b>104,041</b>	<b>(1,023)</b>	<b>19,005</b>	<b>(3,021)</b>	<b>(22,338)</b>	<b>(6,354)</b>	<b>(1,936)</b>	<b>94,728</b>
Net assets at December 31, 2011	<b>\$ 1,898,132</b>	<b>\$ –</b>	<b>\$ 500,233</b>	<b>\$ 423,212</b>	<b>\$ 193,510</b>	<b>\$ 1,116,955</b>	<b>\$ 212,692</b>	<b>\$ 3,227,779</b>

See accompanying notes.

# The New York and Presbyterian Hospital

## Statements of Cash Flows

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ 94,728	\$ 345,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	227,510	209,800
Amortization of deferred financing costs	5,305	2,613
Amortization of mortgage discount	300	306
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	(53,582)	(92,610)
Equity in earnings of common collective trusts and alternative investments	5,522	(39,329)
Net realized gains on sales of investments	(17,023)	(6,889)
Change in unrealized gains and losses	39,380	(24,367)
Changes in operating assets and liabilities:		
Patient accounts receivable	(287)	26,874
Other assets	(4,484)	(36,627)
Beneficial interest in net assets held by related organizations	8,290	(38,546)
Accounts payable and accrued expenses	22,857	12,502
Accrued salaries and related liabilities	17,421	13,707
Due to related organizations – net	3,943	(9,402)
Other liabilities	51,111	1,132
Professional liabilities and related insurance recoveries receivable	(10,503)	6,509
Pension and postretirement benefit liabilities	115,069	(7,993)
Deferred revenue	(1,673)	(1,932)
Net cash provided by operating activities	503,884	361,397
<b>Investing activities</b>		
Net purchases of short-term investments	(230,318)	(221,018)
Acquisitions of property, buildings and equipment, net	(228,775)	(231,899)
Net sales (purchases) of assets limited as to use	13,625	(2,373)
Net cash used in investing activities	(445,468)	(455,290)
<b>Financing activities</b>		
Repayments of long-term debt	(81,063)	(72,122)
Proceeds from issuance of, and drawdowns on, long-term debt	–	25,838
Equity contribution for debt assignment	–	(22,249)
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	53,582	92,610
Net cash (used in) provided by financing activities	(27,481)	24,077
Net increase (decrease) in cash and cash equivalents	30,935	(69,816)
Cash and cash equivalents at beginning of year	195,947	265,763
Cash and cash equivalents at end of year	\$ 226,882	\$ 195,947
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Assets acquired under capitalized lease obligations	\$ 32,125	\$ 2,803

*See accompanying notes.*

# The New York and Presbyterian Hospital

## Notes to Financial Statements

December 31, 2011

### 1. Organization and Significant Accounting Policies

*Organization:* The New York and Presbyterian Hospital (the “Hospital”) is a tax-exempt organization that was incorporated under New York State not-for-profit corporation law. The Hospital is a major academic medical center providing a full range of inpatient and outpatient services, mainly to residents of the New York metropolitan area. The Board of Trustees of the Hospital consists of persons who have first been elected as members of New York-Presbyterian Foundation, Inc. (“Foundation, Inc.”), a New York State not-for-profit corporation. Foundation, Inc. is related to a number of organizations.

The following is a summary of significant accounting policies:

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as estimated uncollectibles for accounts receivable for services to patients, valuation of alternative investments, estimated settlements with third-party payors, professional liabilities and pension and postretirement benefit liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term.

*Cash and Cash Equivalents and Short-term Investments:* The Hospital classifies as cash equivalents all highly liquid investments with a maturity of three months or less when purchased which are not assets limited as to use. Investments that are readily marketable and that are not classified as assets limited as to use are considered short-term investments and are classified as current assets. Short-term investments are used for cash management purposes and consist of cash and cash equivalents, fixed income and equity securities.

*Receivables for Patient Care:* Patient accounts receivable for which the Hospital receives payment under cost reimbursement, prospective payment formulae or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of the Hospital.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

The amount of the allowance for uncollectibles is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators. Additions to the allowance for uncollectibles result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectibles.

*Supplies:* Supplies, which are determined on the first-in, first-out method, are stated at the lower of cost or market value. Supplies are used in the provision of patient care and are not held for sale.

*Investments and Investment Gains, Losses and Income:* Investments consist of money market funds, fixed income securities (including U.S. government bonds, non-U.S. government bonds, agency notes, mortgage and asset backed and corporate bonds), equity securities (including readily tradeable stocks, exchange traded funds and mutual funds), real asset investments (including individual investments and mutual funds invested in natural resources, energy and commodities) and interests in common collective trusts and alternative investments (including hedge funds, investments in private equity firms and real asset funds). All investments (excluding alternative investments) are carried at fair value based on quoted market prices. All investments are classified as trading investments. See Note 9 for a description of the accounting policies related to assets held in the Hospital's defined benefit pension plan.

Alternative investment interests generally are structured such that the Hospital holds a limited partnership interest or an interest in an investment management company. The Hospital's ownership structure does not provide for control over the related investees and the Hospital's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment.

Individual investment holdings within the alternative investments include non-marketable and market-traded debt, equity and real asset securities and interests in other alternative investments. The Hospital may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the Hospital's capital may be divested only at specified times.



# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

Alternative investments are reported in the accompanying statements of financial position based upon net asset values derived from the application of the equity method of accounting. Financial information used by the Hospital to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Hospital's annual financial statement reporting.

There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investments received as a gift are recorded at fair value on the date of contribution.

Realized gains and losses on sales of marketable securities are based on the average cost method. Investment income, realized and unrealized gains and losses on marketable securities held by the Hospital, and equity in earnings of alternative investments are recorded as investment income or loss within the performance indicator in the accompanying statements of operations. Investment return on investments held for the Hospital by New York Presbyterian Fund, Inc. ("Fund, Inc.") and The New York Weill Cornell Medical Center Fund, Inc. ("WCMC Fund") in various investment pools is included within the changes in beneficial interest in net assets held by related organizations in the accompanying statements of changes in net assets. Investment returns are reported net of investment expenses.

*Assets Limited as to Use:* Assets so classified represent investments whose use is restricted for specific purposes under internal designation or terms of agreements. Assets designated as mortgage reserve funds under loan agreements consist of U.S. government and mortgage and asset backed securities. Assets limited as to use which are internally designated for funded depreciation represent amounts that will be expended in future periods for acquisitions of property, buildings and equipment. Assets limited as to use required to meet current liabilities are reported as current assets.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

*Beneficial Interest in Net Assets Held by Related Organizations:* Accounting principles generally accepted in the United States establish standards for transactions in which an entity – the donor – makes a contribution by transferring assets to a not-for-profit organization or charitable trust organization – the recipient – that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to another entity – the beneficiary – that is specified by the donor. Accordingly, the Hospital recognizes its accumulated interest in the net assets held by Fund, Inc. and WCMC Fund as beneficial interest in net assets held by related organizations in its statements of financial position and also recognizes the periodic changes in such interests in its statements of changes in net assets.

*Financial Instruments:* At December 31, 2011 and 2010, the Hospital has its cash deposited in several financial institutions that are fully insured. Investments in money market funds and interest bearing accounts are not fully insured by the U.S. government.

*Property, Buildings and Equipment:* Property, buildings and equipment purchased are recorded at cost and those acquired through gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation of buildings, building improvements, and fixed equipment is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation of movable equipment is recorded using the sum-of-the-years-digits method. Equipment under capital lease obligations and leasehold improvements is amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Such amortization is included in depreciation and amortization in the accompanying statements of operations.

*Deferred Financing Costs:* Deferred financing costs are included in other non-current assets and are amortized using the effective interest method over the term that the related debt is expected to be outstanding (see Note 5).

*Deferred Revenue:* In conjunction with the refinancing of certain bonds in 1998, the Hospital elected not to reduce the interest rate and, in lieu thereof, received in cash the present value of the foregone reductions of the mortgage interest rate. Such amounts are being amortized using the interest method over the life of the related debt.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

*Classification of Net Assets:* The Hospital separately accounts for and reports donor restricted and unrestricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Hospital and an outside party other than the donor or grantor.

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

*Net Patient Service Revenue:* Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

*Operating Leases:* Scheduled base rent increases under operating leases are recognized as rental expense on a straight-line basis over the lease term.

*Program Services:* The Hospital's program services consist of providing health care and related services, including graduate medical education. For the years ended December 31, 2011 and 2010, expenses related to providing these services are summarized as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Health care and related services	\$ 2,903,979	\$ 2,776,908
Program support and general services	594,791	568,764
	<u>\$ 3,498,770</u>	<u>\$ 3,345,672</u>

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

The Hospital maintains academic affiliations with two medical colleges: The Columbia University College of Physicians & Surgeons and the Joan and Sanford I. Weill Medical College of Cornell University (collectively referred to as the “Schools”). Transactions occur on a routine basis between the Hospital and the Schools, based upon arrangements between the parties.

*Performance Indicator:* The accompanying statements of operations include excess of revenues over expenses as the performance indicator. Excluded from the performance indicator are permanent transfers of assets to or from related entities and changes in pension and postretirement benefit liabilities to be recognized in future periods.

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

*Reclassifications:* Certain reclassifications have been made to 2010 balances previously reported in order to conform with the 2011 presentation. Rental expense recoveries (charge backs) have been reclassified on the accompanying statements of operations from supplies and other expenses to other revenue. Additionally, the level used for certain classes of investments in Note 13 has been revised in order to better reflect the valuation methodologies used for those investments.

*Change in Accounting Principle:* In August 2010, the Financial Accounting Standards Board (“FASB”) issued new guidance which provides clarification to companies in the health care industry on the accounting for and presentation of professional and similar contingent liabilities. Under the new guidance, these liabilities should not be presented net of insurance recoveries and an insurance recovery receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. The new guidance became effective for the Hospital as of January 1, 2011. The Hospital elected to retrospectively adopt the guidance as of January 1, 2010. The adoption resulted in an increase to other current assets and liabilities of approximately \$47.3 million and an increase to other assets and liabilities of approximately \$153.2 million as of December 31, 2010. The adoption did not affect the Hospital’s financial condition, net results of operations or cash flows.

*Recent Accounting Pronouncements:* In August 2010, the FASB issued new guidance relating to measuring charity care for disclosures. The new guidance requires that the level of

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

charity care provided be presented based on the direct and indirect costs of the charity services provided. Separate disclosure of the amount of any cash reimbursements received for providing charity care must also be disclosed. The new disclosure requirements became effective for the Hospital on January 1, 2011 and are included in the accompanying financial statements for all periods presented (see Note 2).

In September 2011, the FASB issued new guidance that requires employers to provide additional disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. The new guidance requires an employer to provide additional quantitative and qualitative disclosures about an employer's involvement in multiemployer pension plans. The new disclosure requirements are included in the accompanying financial statements (see Note 15).

In July 2011, the FASB issued new guidance relating to the presentation and disclosure of patient service revenue, provision for bad debts and the allowance for doubtful accounts. The new guidance requires the Hospital to change the presentation of its statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the Hospital is required to provide enhanced disclosures about its policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The new guidance is required to be adopted by the Hospital as of January 1, 2012. The adoption of this guidance is not expected to affect the Hospital's financial condition, net results of operations or cash flows.

### 2. Net Patient Service Revenue

*Medicare Reimbursement:* Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and Hospital-specific data.

*Non-Medicare Reimbursement:* In New York State, hospitals and all non-Medicare payors (including Medicare and Medicaid managed care plans), except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### **2. Net Patient Service Revenue (continued)**

rates are not established, payors are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health. Effective December 1, 2009, the New York State payment methodology was updated such that payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments; prior to December 1, 2009, the payment system provided for retroactive adjustments to payment rates, using a prospective payment formula. Outpatient services also are paid based on a statewide prospective system that was effective December 1, 2008. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services ("CMS"), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Hospital is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and Hospital-specific data. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2001. Other years and various issues remain open for audit and settlement as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of non-compliance that could have a material adverse effect on its financial statements and believes that it is in compliance with all applicable laws and regulations.

During 2011 and 2010, the Hospital revised estimates made in prior years to reflect the passage of time and the availability of more recent information, such as settlement activity, associated with the related payment items. The effect of the Hospital's revisions to liabilities recorded in prior years was an increase of approximately \$5.2 million in 2011 and a reduction of approximately \$3.9 million in 2010.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 2. Net Patient Service Revenue (continued)

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years could be realized.

For the years ended December 31, 2011 and 2010, revenue from the Medicare and Medicaid programs accounted for approximately 48% and 49% of the Hospital's net patient service revenue, respectively.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Significant concentrations of patient accounts receivable at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Medicare	23%	20%
Medicaid	18	20
Commercial carriers and health maintenance organizations	55	54
Self-pay patients	4	6
	<u>100%</u>	<u>100%</u>

*Uncompensated Care and Community Benefit Expense:* The Hospital's commitment to community service is evidenced by services provided to special populations such as minorities, the elderly, persons with disabilities, the mentally ill, persons with AIDS and poor persons ("Special Populations") and benefits provided to the broader community. Services provided to such Special Populations include services provided to persons who cannot afford health care because of inadequate resources and who are uninsured or underinsured.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### **2. Net Patient Service Revenue (continued)**

The Hospital provides quality medical care regardless of race, creed, sex, sexual orientation, national origin, handicap, age or ability to pay. Although reimbursement for services rendered is critical to the operations and stability of the Hospital, the Hospital recognizes that not all individuals have the ability to pay for medically necessary services and, furthermore, the Hospital's mission is to serve the community with respect to health care. Therefore, in keeping with the Hospital's commitment to serve members of the community, the Hospital provides uncompensated care through: medical care to the indigent for free or discounted prices (charity care/financial aid) and care to persons covered by governmental programs that pay the Hospital less than the full cost of services provided. In addition, the Hospital provides significant community benefit activities which include wellness programs, community education programs, health screenings and a broad variety of community support services, health professionals' education, school based programs and subsidized health services.

The Hospital believes it is important to quantify comprehensively the benefits it provides to the community, which is an area of emphasis for not-for-profit health care providers. The costs of uncompensated care and community benefit activities are derived from various Hospital records. Amounts for activities as reported below are based on estimated and actual data, subject to changes in estimates upon the finalization of the Hospital's cost report and other government filings. The amounts reported below are calculated in accordance with guidelines prescribed by the Internal Revenue Service ("IRS"). The net cost of charity care includes the direct and indirect cost of providing charity care services, offset by revenues received from indigent care pools and other subsidies. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received to offset bad debt and charity services totaled approximately \$48.3 million and \$41.2 million for the years ended December 31, 2011 and 2010, respectively, including approximately \$47.2 million and \$39.1 million from the indigent care pool under the New York State Medicaid program for 2011 and 2010, respectively. The charity care component of the indigent care pool payments (approximately 69% for 2011 and 2010) is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the indigent care pool reimbursement.



The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**2. Net Patient Service Revenue (continued)**

Costs related to uncompensated care and community benefit activities are summarized as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Charity care, net (a)	\$ 33,844	\$ 34,557
Means-tested programs (b)	138,072	131,915
Other community benefits (c) (d)	279,511	267,048
Total charity care and other community benefits	<u>\$ 451,427</u>	<u>\$ 433,520</u>

Charity care, at cost, and means-tested programs include the following (and exclude losses incurred on providing services to Medicare patients):

- (a) *Charity Care:* As part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or under-insured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in accordance with the Hospital's policies.

The Hospital makes available free care programs for qualifying patients under its charity care and financial aid policy. During the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who do not receive free care and who are determined to be eligible for charity care in the form of discounted medical services under the Hospital's charity care and financial aid policy, care given but not paid for is classified as charity care. For patients who were determined by the Hospital to have the ability to pay but did not, the uncollected amounts are classified as bad debt expense (\$41.6 million in 2011 and \$40.6 million in 2010 included in supplies and other expenses in the accompanying statements of operations). Distinguishing between bad debt and charity care is difficult in part because services are often rendered prior to full evaluation of a patient's ability to pay.

Annually, the Hospital accrues for potential losses related to its uncollectible accounts and the amounts that meet the definition of charity care (including free and discounted medical care) allowances.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 2. Net Patient Service Revenue (continued)

- (b) *Means-Tested Programs*: Community benefits include losses incurred in providing services to patients who participate in certain public health programs such as Medicaid. Payments received by the Hospital for patient services provided to Medicaid program participants are less than the actual cost of providing such services. Therefore, to the extent Medicaid payments are less than the cost of care provided to Medicaid patients, the uncompensated cost of that care is considered to be a community benefit.

Other community benefits include the following:

- (c) *Community Health Improvement Services and Community Benefit Operations*: The Hospital is committed to serving the vast array of neighborhoods comprising its service area and recognizes the importance of preserving a local community focus to effectively meet community need. The Hospital adheres to a single standard for assessing and meeting community need, while retaining a geographically focused approach for soliciting community participation and involvement and providing community outreach.

The Hospital has fostered continued community participation and outreach activities through linkages with numerous community-based groups. Community health improvement services and related operations include clinical services, screening and exams, and other education or support services in areas such as the following: asthma, behavioral health, cancer, children's health, community-based outreach and health education, digestive diseases, emergency services/emergency preparedness, heart disease, HIV/AIDS, neuroscience, vascular disease and women's health (a complete description of each service can be found in the Hospital's annual community service plan).

- (d) *Health Professions Education*: Helping to prepare future health care professionals is a distinguishing characteristic of major academic not-for-profit teaching hospitals and constitutes a significant community benefit. The Hospital has a world renowned residency program and trains approximately 1,600 residents each year in all clinical programs (the programs are in two medical schools and cover approximately 125 accredited graduate medical education programs). The Hospital is committed to offering quality graduate medical education programs as part of its education mission.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 3. Investments

The composition and reported value of assets limited as to use, excluding assets held by related organizations (see Note 7), at December 31, 2011 and 2010, consist of the following (in thousands):

	<b>2011</b>	<b>2010</b>
Marketable securities, carried at fair value (see Note 13)	<b>\$ 346,273</b>	\$ 408,476
Investments accounted for using the equity method:		
Equities held in common collective trusts:		
U.S. equities	<b>50,390</b>	61,888
Non-U.S. equities	<b>85,738</b>	96,353
Total equities held in common collective trusts	<b>136,128</b>	158,241
Hedge funds	<b>176,399</b>	166,401
Private equity	<b>66,678</b>	46,846
Private real assets	<b>32,939</b>	19,957
Total assets limited as to use	<b>758,417</b>	799,921
Less current portion	<b>22,075</b>	22,522
Assets limited as to use – non-current	<b>\$ 736,342</b>	\$ 777,399

See Note 13 for a description of the hedge fund, private equity and private real asset categories.

Investment return for the years ended December 31, 2011 and 2010 consisted of the following (in thousands):

	<b>2011</b>	<b>2010</b>
Interest and dividend income	<b>\$ 16,029</b>	\$ 12,626
Net realized gains on sales of investments	<b>17,023</b>	6,889
Equity in earnings of common collective trusts and alternative investment companies	<b>(5,522)</b>	39,329
Net change in unrealized gains and losses	<b>(39,380)</b>	24,367
	<b>\$ (11,850)</b>	\$ 83,211

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 4. Property, Buildings and Equipment

A summary of property, buildings and equipment at December 31, 2011 and 2010 follows (in thousands):

	2011	2010
Land and land improvements	\$ 40,799	\$ 40,600
Buildings, building improvements and fixed equipment	3,134,487	3,020,548
Movable equipment	1,103,434	1,026,232
Leasehold improvements	10,822	11,692
	4,289,542	4,099,072
Less accumulated depreciation and amortization	2,616,674	2,440,098
	1,672,868	1,658,974
Construction-in-progress	121,633	102,137
	\$ 1,794,501	\$ 1,761,111

The Hospital wrote off approximately \$49.6 million of fully depreciated assets in 2011 (approximately \$37.4 million of moveable equipment, \$11.3 million of buildings, building improvements and fixed equipment and \$0.9 million of leasehold improvements).

Substantially all property, buildings and equipment have been pledged as collateral under various debt agreements (see Note 5). At December 31, 2011 and 2010, assets recorded in connection with capital leases aggregated approximately \$133.1 million and \$114.0 million, respectively, with accumulated amortization aggregating approximately \$94.7 million and \$82.8 million, respectively.

The land on which the Westchester division is built is leased by the Hospital from Royal Charter Properties – Westchester, Inc., a related entity (see Note 10).

Commitments related to the completion of significant ongoing projects total approximately \$4.3 million at December 31, 2011 and will be funded through amounts raised by Fund, Inc.

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 5. Long-Term Debt

A summary of long-term debt at December 31, 2011 and 2010 follows (in thousands):

	<b>2011</b>	<b>2010</b>
FHA Section 242 insured mortgage loan – 1998 – Downtown Campus (a)	<b>\$ 326,439</b>	\$ 350,016
FHA Section 242 insured mortgage loans – 2004 – Uptown Campus (b)	<b>132,143</b>	165,786
FHA Section 241 insured mortgage loan – 2007 (c)	<b>269,531</b>	275,317
Capital leases (d)	<b>56,433</b>	42,365
	<b>784,546</b>	833,484
Less current portion	<b>84,113</b>	77,792
Less unamortized mortgage discount (c)	<b>4,130</b>	4,430
Long-term portion	<b>\$ 696,303</b>	\$ 751,262

(a) *FHA Section 242 Insured Mortgage Loan – 1998*: The Hospital’s original mortgage agreement with the Dormitory Authority of the State of New York (“DASNY”) was insured under the provisions of the U.S. Department of Housing and Urban Development Federal Housing Agency (“FHA”) Section 242 mortgage insurance program.

During 2005, the Hospital received \$8.4 million from DASNY in relation to a release of assets held by DASNY in reserve under the mortgage note and recorded the receipts as an increase to the Hospital’s deferred revenue balance in the accompanying statement of financial position. The deferred revenue is being amortized over the remaining life of the mortgage using the effective interest method.

In August 2009, the Hospital completed the final endorsement of the FHA Section 242 Insured Mortgage Loan – 1998. The remaining amortization schedule was finalized with principal and interest payments due through July 1, 2025. The terms of the mortgage were amended and, effective September 1, 2009, interest was to be paid at a fixed annual rate of 5.99% of the unpaid balance until the loan was fully paid. As a result of the final endorsement, DASNY released to the Hospital an additional \$40.8 million of unused proceeds from the initial mortgage loan and the Hospital received approximately \$2.9 million from the IRS related to prior years’ bond proceeds arbitrage, all to be used for future capital projects. During 2010, remaining funds available to be spent under this mortgage loan were used for certain capital projects and as additional equity during the

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 5. Long-Term Debt (continued)

2010 transaction (see below). Additionally, the Hospital recognized \$3.6 million in the accompanying statement of operations for the year ended December 31, 2010, as a recovery for overpayment of interest insurance premiums related to the time period between the initial debt offering and the time of final endorsement. Upon final endorsement, the Hospital's debt escrow fund (approximately \$12.5 million at final endorsement) was released for partial payment of the debt obligation at various future intervals. The Hospital has included the amount in other non-current assets, to be amortized over the remaining life of the mortgage using the effective interest method.

In December 2010, the DASNY bonds were defeased and Prudential Huntoon Paige Associates, Ltd. ("Prudential") issued new Government National Mortgage Association bonds. In connection therewith, DASNY assigned the Hospital's mortgage to Prudential. This transaction resulted in a reduction in the interest rate of the mortgage loan, effective December 15, 2010, to a fixed rate of 4.22% over the remaining term and required the Hospital to make an equity contribution of \$23.8 million (\$15.1 million of the equity contribution was made with the remaining balance of amounts held in assets limited as to use as part of the final endorsement). The equity contribution is being amortized over the remaining life of the mortgage using the effective interest method and has a balance in noncurrent assets, net of accumulated amortization, of approximately \$20.5 million and \$23.6 million at December 31, 2011 and 2010, respectively. All other material terms of the mortgage remained the same.

- (b) *FHA Section 242 Insured Mortgage Loans – 2004*: The Hospital has two mortgage loans, with identical terms most recently amended in 2004, issued through DASNY. The two mortgage loans are insured under the provisions of the FHA Section 242 mortgage insurance program. The mortgage loans are payable monthly through April 2015 and carry an interest rate of 7.5%. In connection with a 1998 revision to one of the original mortgage notes, deferred revenue with an initial balance of \$29.5 million was recognized reflecting the present value of the interest rate savings that were advanced to the Hospital upon creation of the 1998 mortgage. The deferred revenue is being amortized over the remaining life of the mortgage using the effective interest method.
- (c) *FHA Section 241 Insured Mortgage Loan – 2007*: In September 2007, DASNY issued \$296.1 million of The New York and Presbyterian Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2007. A portion of the proceeds of the bonds was used

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 5. Long-Term Debt (continued)

to fund a mortgage loan from DASNY to the Hospital. The maximum principal amount of \$278.5 million, which incorporated a discount of \$5.4 million, was used for the following: (i) constructing and equipping a cardiovascular center, (ii) constructing and equipping an advanced therapeutic services center, (iii) constructing and equipping an expansion of existing facilities to house approximately 48 medical surgical beds and (iv) constructing and equipping a combined heat and power facility. The mortgage is insured under the provisions of the FHA Section 241 mortgage insurance program. The mortgage bore interest at a rate of 6.5% through May 31, 2010. Commencing July 1, 2010, the mortgage requires monthly principal and interest payments through July 2035 at an interest rate not to exceed 4.9%. In accordance with the mortgage note, the Hospital also pays an incremental rate of 1.6% until the interest rate is determined upon final endorsement.

The Hospital entered into a letter of credit agreement with a bank (initial available amount of \$183.2 million) to provide security for equity contributions required under the plan of financing. Equity contributions paid towards construction costs in 2011 and prior have reduced the available amount of the letter of credit to \$10.9 million and the letter was renewed through October 31, 2012. Fund, Inc. has pledged certain collateral in support of the letter of credit.

In 2007, the Hospital realized a gain of approximately \$5.4 million upon termination of interest rate lock derivative instruments held in connection with the mortgage. Such amount increased the loan proceeds made available to the Hospital and has been accounted for as a mortgage discount. The mortgage discount is being amortized over the life of the mortgage using the effective interest method.

Estimated principal payments under the 1998, 2004 and 2007 FHA-insured mortgages (reflective of amounts obligated to date and subject to final endorsement) for the next five years and thereafter consist of the following (in thousands):

2012	\$	69,300
2013		73,577
2014		78,137
2015		46,189
2016		26,517
Thereafter		434,393

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 5. Long-Term Debt (continued)

Pursuant to the mortgage agreements and related documents, the Hospital is required to maintain certain debt service funds, including mortgage reserve funds. In addition, the Hospital is required to maintain certain working capital, debt service coverage and other financial ratios and financial conditions, and to obtain approval to incur additional debt above specified levels if certain covenant requirements are not met. Through December 31, 2011 and 2010, the Hospital was in compliance with the financial covenants. The mortgages are collateralized by substantially all of the Hospital's property, buildings and equipment and gross receipts derived from operations.

(d) *Capital Leases:* Certain equipment leases are the equivalent of an installment purchase for purposes of financial statement reporting. The lenders hold a first security interest in the financed equipment. The Hospital has entered into several capital lease financing agreements with commercial lenders in conjunction with DASNY's tax-exempt lease program. The total amount outstanding related to the tax-exempt lease program is \$29.7 million and \$30.0 million at December 31, 2011 and 2010, respectively. Remaining funds available to be spent under these lease agreements are reported as assets limited as to use at December 31, 2011 (approximately \$0.4 million). The Hospital entered into several other capital leases in 2011 totaling approximately \$32.1 million. Interest rates related to the Hospital's outstanding capital lease obligations range from 2.6% to 6.6%.

Following is a summary of payments due under capital lease obligations for the years ending December 31 (in thousands):

2012	\$ 16,923
2013	15,945
2014	12,842
2015	7,392
2016	5,003
Thereafter	2,415
	<hr/>
	60,520
Less imputed interest	4,087
	<hr/>
	\$ 56,433



# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 5. Long-Term Debt (continued)

Interest paid under all borrowings for the years ended December 31, 2011 and 2010 aggregated approximately \$49.3 million and \$50.4 million, respectively, net of capitalized interest in 2010; there was no capitalized interest in 2011.

The Hospital has a \$100.0 million unsecured line of credit agreement with a bank which expires on June 30, 2012. No amounts have been drawn on this credit facility.

### 6. Operating Leases

Total rental expense for the years ended December 31, 2011 and 2010 aggregated approximately \$55.4 million and \$57.3 million, respectively. Sublease income and contingent rentals were not significant. The Hospital leases certain properties owned by related entities (see Note 10).

Future minimum lease payments under non-cancellable operating leases with initial or remaining terms of one year or more at December 31, 2011 consisted of the following (in thousands):

2012	\$	43,273
2013		38,137
2014		35,852
2015		33,178
2016		29,495
Thereafter		56,497

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**7. Beneficial Interest in Net Assets Held by Related Organizations**

The Hospital recognizes its accumulated interest in net assets held by Fund, Inc. and WCMC Fund, which were as follows at December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
Temporarily restricted:		
Fund, Inc.:		
Building and equipment replacement	\$ 500,233	\$ 481,228
Specific purpose health care services	423,212	426,233
Endowment earnings restricted for specific-purpose health care services	<u>193,510</u>	215,848
	<u>1,116,955</u>	1,123,309
Permanently restricted:		
Fund, Inc. – Investments to be held in perpetuity	182,619	184,336
WCMC Fund – Investments held in perpetual trust	<u>30,073</u>	30,292
	<u>212,692</u>	214,628
Total beneficial interest in net assets held by related organizations	<u>1,329,647</u>	1,337,937
Less current portion	<u>59,089</u>	54,340
	<u>\$ 1,270,558</u>	<u>\$ 1,283,597</u>

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity and are held by Fund, Inc. and WCMC Fund on behalf of the Hospital. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as they relate to its permanently restricted contributions and net assets, effective upon New York State’s enactment of the legislation in September 2010. Previously, the Hospital followed the requirements of the Uniform Management of Institutional Funds Act of 1972, although the change did not affect significantly the Hospital’s policies related to the endowments.

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### **7. Beneficial Interest in Net Assets Held by Related Organizations (continued)**

The Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. The Hospital classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a standard of prudence prescribed by NYPMIFA. The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund; (ii) the purposes of the Hospital and the donor-restricted endowment fund; (iii) general economic conditions; (iv) the possible effects of inflation and deflation; (v) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Hospital; (vi) the expected total return from income and the appreciation of investments; (vii) other resources of the Hospital and (viii) the investment and spending policies of the Hospital. Fund, Inc.'s endowment investment returns distribution policy, which applies to the Hospital, allows for expenditures of investment return only, at a rate not to exceed 4.5% of the permanently restricted net asset balance on an annual basis.

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding related to the endowment funds while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital employs a long-term equity oriented strategy of investing in both traditional and alternative asset classes.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Assets held by Fund, Inc. and WCMC Fund for the benefit of the Hospital consist of pledges and investments (at fair value) that represent allocated amounts from Fund, Inc.'s pooled investments portfolio and WCMC Fund's interest in a perpetual trust. These assets are comprised of the following at December 31, (in thousands):

	2011	2010
Marketable securities:		
Cash and cash equivalents	\$ 42,798	\$ 21,269
Fixed income:		
U.S. Government	118,354	102,578
Non-U.S. Government	5,678	—
Corporate	7,512	10,093
Mortgage and asset backed	26,049	27,190
Other	5,390	7,899
Equities:		
U.S. equities	149,660	154,386
Non-U.S. equities	179,620	204,015
Real assets	25,249	27,792
Total marketable securities	560,310	555,222
Hedge funds	215,758	253,169
Private equity	156,506	147,921
Private real assets	44,762	27,478
Total investments	977,336	983,790
Pledges receivable, net	322,238	323,855
	1,299,574	1,307,645
WCMC Fund:		
Investment held in perpetual trusts	30,073	30,292
Total beneficial interests in net assets held by related organizations	1,329,647	1,337,937
Less current portion	59,089	54,340
	\$ 1,270,558	\$ 1,283,597

The current portion of beneficial interest in net assets held by related organizations represents amounts the Hospital expects to receive and expend on operations in the subsequent year.

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**7. Beneficial Interest in Net Assets Held by Related Organizations (continued)**

At December 31, 2011, pledges receivable, net of present value discount of approximately \$79.6 million based on a discount and valuating factor of 7.35%, are to be paid as follows (in thousands):

2012	\$ 87,508
2013	55,226
2014	41,792
2015	15,560
2016	10,696
Thereafter	111,456
	<u>\$ 322,238</u>

The discount and valuation allowance reflects the time value of money and credit risk.

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**7. Beneficial Interest in Net Assets Held by Related Organizations (continued)**

Changes in the net assets held by Fund, Inc. and WCMC Fund on the Hospital's behalf are recognized in the Hospital's statements of changes in net assets for the years ended December 31, 2011 and 2010 and are summarized as follows (in thousands):

	Temporarily Restricted					Total Interest in Net Assets
	Plant Replacement	Specific Purpose	Endowment Earnings	Total Temporarily Restricted	Permanently Restricted	
<b>Year ended December 31, 2011</b>						
Gifts, bequests and similar items	\$ 70,541	\$ 58,164	\$ –	\$ 128,705	\$ 777	\$ 129,482
Net investment income and realized and unrealized gains and losses	(1,171)	6,548	(17,469)	(12,092)	(2,713)	(14,805)
Net assets released from restrictions for administrative and fund raising costs	(5,816)	(5,158)	(4,837)	(15,811)	–	(15,811)
Net assets released from restrictions for program expenditures	(825)	(58,262)	(2)	(59,089)	–	(59,089)
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	(43,724)	(4,313)	(30)	(48,067)	–	(48,067)
Changes in net assets	<u>\$ 19,005</u>	<u>\$ (3,021)</u>	<u>\$ (22,338)</u>	<u>\$ (6,354)</u>	<u>\$ (1,936)</u>	<u>\$ (8,290)</u>
<b>Year ended December 31, 2010</b>						
Gifts, bequests and similar items	\$ 37,293	\$ 53,476	\$ –	\$ 90,769	\$ –	\$ 90,769
Net investment income and realized and unrealized gains and losses	37,635	38,717	22,897	99,249	3,656	102,905
Net assets released from restrictions for administrative and fund raising costs	(6,144)	(5,183)	(4,878)	(16,205)	–	(16,205)
Net assets released from restrictions for program expenditures	(500)	(51,941)	(1,899)	(54,340)	–	(54,340)
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	(69,090)	(15,434)	(59)	(84,583)	–	(84,583)
Changes in net assets	<u>\$ (806)</u>	<u>\$ 19,635</u>	<u>\$ 16,061</u>	<u>\$ 34,890</u>	<u>\$ 3,656</u>	<u>\$ 38,546</u>

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 8. Insurance

*Professional Liability Insurance:* In 1978, the Hospital, in conjunction with a number of unrelated health care entities, participated in the formation of captive insurance companies (collectively, the “Captive”) to provide professional liability and general liability insurance to its participants. The premiums are based on a modified claims-made coverage and are actuarially determined based on the actual experience of the Captive, Hospital-specific experience, and estimated current exposure. The Captive has reinsurance coverage from reinsurers for certain amounts above its coverage level per claim limits.

The investments in the Captive are owned by Fund, Inc. Accordingly, insurance premiums are paid by the Hospital initially to Fund, Inc. (see Note 10).

The undiscounted estimate for modified claims-made professional liabilities and the estimate for incidents that have been incurred but not reported aggregated approximately \$362.0 million and \$381.5 million at December 31, 2011 and 2010, respectively, and is included in professional liabilities in the accompanying statements of financial position at the actuarially determined present value of approximately \$320.9 million and \$332.3 million, respectively, based on a discount rate of 3.0% and 3.5% for the years ended December 31, 2011 and 2010, respectively. The Hospital has recorded related insurance recoveries receivable of approximately \$198.5 million and \$200.5 million at December 31, 2011 and 2010, respectively, in consideration of the expected insurance recoveries for the total discounted modified claims-made insurance. The current portion of professional liabilities and the related insurance receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

The Hospital’s estimates for professional liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

*Workers’ Compensation Insurance:* Prior to April 1, 1999, the Hospital was self-insured for workers’ compensation claims. At December 31, 2011 and 2010, the estimate for self-insured workers’ compensation claims and incurred but not reported liabilities prior to April 1, 1999 aggregated approximately \$10.4 million and \$11.4 million, respectively, and is included in professional liabilities in the accompanying statements of financial position.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### **8. Insurance (continued)**

In connection with the workers' compensation self-insurance programs, the Hospital maintains a letter of credit through a bank in the amount of approximately \$11.9 million, which satisfies the collateral deposit requirement.

### **9. Pension and Similar Benefit Plans**

*Retirement Benefits:* The Hospital provides pension and similar benefits to its employees through several plans, including various multiemployer plans for union employees (see Note 15), a qualified noncontributory defined benefit plan primarily for eligible non-union employees of the Hospital and a non-qualified defined benefit plan for certain executives (the non-union plans collectively referred to as the "Pension Plans"). Through December 31, 2008, the Hospital also provided pension and similar benefits to certain employees through a defined contribution plan. The employees who participated in the defined contribution plan became participants of the qualified defined benefit plan effective December 31, 2008, in a change that responded to certain regulatory requirements. The Hospital funds the noncontributory defined benefit plans in accordance with the minimum funding requirement of the Employee Retirement Income Security Act of 1974 ("ERISA"), plus additional amounts that the Hospital may deem appropriate from time to time. Amounts contributed to the Pension Plans are based on actuarial valuations.

The benefits for participants or their beneficiaries in the Pension Plans sponsored by the Hospital are based on the highest average compensation for five consecutive years during the last ten years of credited service, subject to ERISA limitations.

*Postretirement Benefits:* The Hospital provides certain health care and life insurance benefits to its retired non-union employees, through several plans, if they have worked 15 years and attained age 62 while still working for the Hospital. Coverage continues until the retiree is Medicare-eligible and is 100% paid by the Hospital up to certain predetermined limits. Special coverage for non-Medicare-eligible dependents may be purchased at group rates. The plans contain cost-sharing features such as deductibles and coinsurance.

The Hospital recognizes in its statement of financial position an asset, for a defined benefit postretirement plan's overfunded status, or a liability, for a plan's underfunded status; measures a defined benefit postretirement plan's assets and obligations that determine funded status as of the end of the Hospital's fiscal year; and recognizes the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the



# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 9. Pension and Similar Benefit Plans (continued)

year in which the change occurs. Amounts that are recognized as a component of changes in unrestricted net assets will be subsequently recognized as net periodic pension and postretirement cost.

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plans' assets for the years ended December 31, is as follows (in thousands):

	Pension Plans		Postretirement Benefits	
	2011	2010	2011	2010
<b>Benefit obligation</b>				
Benefit obligation at beginning of year	\$ 760,085	\$ 697,994	\$ 33,578	\$ 39,049
Service cost	41,003	37,270	231	570
Interest cost	40,973	41,349	1,632	1,891
Actuarial losses (gains)	70,605	21,006	2,564	(4,267)
Plan amendments	-	210	-	-
Effect of curtailment and settlement	(1,641)	(2,751)	-	-
Medicare Part D subsidy	-	-	272	582
Plan participant contributions	-	-	332	492
Benefits paid	(32,982)	(34,993)	(4,062)	(4,739)
Benefit obligation at end of year	<b>878,043</b>	760,085	<b>34,547</b>	33,578
<b>Fair value of plan assets</b>				
Fair value of plan assets at beginning of year	612,488	547,874	-	-
Actual return on plan assets	(4,262)	68,086	-	-
Hospital contributions	42,743	32,716	3,730	4,247
Plan participant contributions	-	-	332	492
Effect of settlement	(1,641)	(1,195)	-	-
Benefits paid	(32,982)	(34,993)	(4,062)	(4,739)
Fair value of plan assets at end of year	<b>616,346</b>	612,488	-	-
Funded status	<b>\$ (261,697)</b>	\$ (147,597)	<b>\$ (34,547)</b>	\$ (33,578)

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**9. Pension and Similar Benefit Plans (continued)**

At December 31, the funded status of the pension and postretirement benefits plans are reported in the accompanying statements of financial position as follows (in thousands):

	Pension Plans		Postretirement Benefits		Total	
	2011	2010	2011	2010	2011	2010
Current liability	\$ 8,238	\$ 6,484	\$ 3,584	\$ 3,516	\$ 11,822	\$ 10,000
Non-current liability	253,459	141,113	30,963	30,062	284,422	171,175
	<u>\$ 261,697</u>	<u>\$ 147,597</u>	<u>\$ 34,547</u>	<u>\$ 33,578</u>	<u>\$ 296,244</u>	<u>\$ 181,175</u>

Included in other changes in unrestricted net assets for the years ended December 31, are the following amounts that have not yet been recognized in net periodic pension and postretirement cost (in thousands):

	Pension Plans		Postretirement Benefits		Total	
	2011	2010	2011	2010	2011	2010
Unrecognized prior service cost	\$ 3,009	\$ 3,687	\$ 322	\$ 412	\$ 3,331	\$ 4,099
Unrecognized actuarial loss	319,216	202,130	10,234	8,271	329,450	210,401
	<u>\$ 322,225</u>	<u>\$ 205,817</u>	<u>\$ 10,556</u>	<u>\$ 8,683</u>	<u>\$ 332,781</u>	<u>\$ 214,500</u>

The change in net assets from pension and postretirement benefit liabilities to be recognized in future periods as reported in the accompanying statements of operations is a decrease of approximately \$118.3 million for 2011 and an increase of approximately \$7.2 million 2010 and represents the combined change in the amounts for pension and postretirement benefits plans in the table above.

The prior service cost and actuarial loss included in changes in unrestricted net assets at December 31, 2011 and expected to be recognized in net periodic pension and postretirement cost during the year ending December 31, 2012 are as follows (in thousands):

	Pension Plans	Postretirement Benefits
Unrecognized prior service cost	\$ 640	\$ 90
Unrecognized actuarial loss	19,209	729

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 9. Pension and Similar Benefit Plans (continued)

The accumulated benefit obligation for the Hospital's qualified and nonqualified pension plans totaled approximately \$860.4 million and \$744.5 million at December 31, 2011 and 2010, respectively. As of December 31, the accumulated benefit obligation and the underfunded status of the non-qualified plan are as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Accumulated benefit obligation	\$ <b>22,717</b>	\$ 17,629
Underfunded status	<b>30,314</b>	26,007

Weighted-average assumptions used in determining the pension and postretirement benefits obligations as of December 31, were as follows:

	<b>Pension Plans</b>		<b>Postretirement Benefits</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Discount rate	<b>4.75%</b>	5.50%	<b>4.25%</b>	5.00%
Rate of compensation increase	<b>3.50</b>	3.50	–	–

Net periodic pension cost and postretirement benefits cost for the years ended December 31, consist of the following (in thousands):

	<b>Pension Plans</b>		<b>Postretirement Benefits</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Service cost	\$ <b>41,003</b>	\$ 37,270	\$ <b>231</b>	\$ 570
Interest cost	<b>40,973</b>	41,349	<b>1,632</b>	1,891
Expected return on plan assets	<b>(52,581)</b>	(54,739)	–	–
Net amortization of prior service cost	<b>677</b>	143	<b>90</b>	156
Recognized actuarial loss	<b>9,819</b>	9,601	<b>600</b>	641
Recognized actuarial loss (gain) due to curtailment and settlement	<b>544</b>	(1,324)	–	–
Net periodic pension cost and postretirement benefits cost	<b>\$ 40,435</b>	\$ 32,300	<b>\$ 2,553</b>	\$ 3,258

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**9. Pension and Similar Benefit Plans (continued)**

Weighted-average assumptions used in determining the net periodic pension and postretirement benefits cost for the years ended December 31, were as follows:

	<b>Pension Plans</b>		<b>Postretirement Benefits</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Discount rate	<b>5.50%</b>	6.00%	<b>5.00%</b>	5.50%
Expected rate of return on plan assets	<b>8.00</b>	8.75	–	–
Rate of compensation increase	<b>3.50</b>	4.00	–	–

The overall expected long-term rate of return on plan assets is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with the Hospital's desired risk and return characteristics. The Hospital reviews the expected long-term rate periodically, and based on the building block approach, updates the rate for changes in the marketplace. The market conditions in 2011 and 2010 and changes in the pension asset allocations were considered in the Hospital's evaluation of the expected long-term rate of return assumption.

In relation to postretirement benefits plans, the weighted-average annual assumed rate of increase per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to start at 6.3% and decrease to 4.75% by 2014. The health care cost trend rate assumption may have an effect on the amounts reported. A one percent change in the assumed health care cost trend rate would have the following effects (in thousands):

	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total of service and interest cost components in health care cost trend rate	\$ 71	\$ (62)
Effect on postretirement benefit obligation as of as of December 31, 2011	1,761	(1,546)

The measurement date used to determine the pension and postretirement benefits measurements is December 31.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 9. Pension and Similar Benefit Plans (continued)

The overall objective of the investment policy of the defined benefit pension plan is to produce an asset allocation that will generate return annually in order to meet the expense and income needs and provide for sufficient annual asset growth. Funds are invested with a long-term (five years or greater) return objective. The defined benefit pension plan's investment policy includes the following asset allocation guidelines:

<b>Asset Category</b>	<b>Strategic Asset Allocation Policy Target</b>
Equities	35%
Alternative assets	50
Fixed income	15

The policy target percentages are reevaluated at least quarterly. Investment performance is reviewed quarterly with performance results and benchmarks compiled independently by the plan's trustee.

Assets invested in the defined benefit pension plan are carried at fair value. Fixed income and equity securities and real assets with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments, as described in Note 1, are stated at fair value, as estimated in an unquoted market. Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value.

The composition and reported value of the defined benefit pension plan assets at December 31, 2011 and 2010 are disclosed in Note 13.

The Hospital expects to contribute approximately \$70 million to its defined benefit pension plans and \$4 million to its other postretirement benefits plans in 2012.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 9. Pension and Similar Benefit Plans (continued)

The Medicare Prescription Drug Act introduced a prescription drug benefit under Medicare (“Medicare Part D”) as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Hospital expects to pay the following benefit payments, which reflect expected future service as appropriate, and receive the following Medicare Part D subsidies (in thousands):

Year:	<b>Pension Plans</b>	<b>Post- Retirement Benefits</b>	<b>Medicare Part D Subsidies</b>
2012	\$ 52,412	\$ 3,902	\$ 243
2013	50,602	3,755	239
2014	57,273	3,629	233
2015	62,211	3,447	225
2016	67,388	3,291	216
2017 to 2021	364,484	14,161	916

### 10. Related Organizations

Fund, Inc. is an affiliated not-for-profit public charity whose revenue is derived from soliciting, receiving and administering funds. Royal Charter Properties, Inc. (“RCP, Inc.”), Royal Charter Properties-East, Inc. (“RCP-East”) and Royal Charter Properties-Westchester, Inc. (“RCP-West”) are affiliated not-for-profit support corporations that derive revenue from acquiring and holding direct and indirect interests in real estate and related personal property, which are primarily used to provide residential housing, office space and parking to the Hospital and its employees based on the market value of such services. RCP, Inc., RCP-East and RCP-West provide services primarily to or for the benefit of the Hospital.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 10. Related Organizations (continued)

Amounts received by the Hospital from or amounts contributed by the Hospital to related support organizations, reflected in other revenue in the accompanying statements of operations for the years ended December 31, are as follows (see Note 11) (in thousands):

	2011	2010
Distributions from (payments to) according to organization's bylaws:		
RCP, Inc.	\$ 14,270	\$ 14,739
RCP-East	29,684	26,029
RCP-West	(26)	52
	\$ 43,928	\$ 40,820

Fund, Inc. also pays certain program related costs on behalf of the Hospital (see Note 7). Fund, Inc. paid approximately \$7.9 million and \$8.1 million in 2011 and 2010, respectively, related to malpractice and postretirement costs incurred by the Hospital. Other distributions made by Fund, Inc. to the Hospital include approximately \$53.6 million and \$92.6 million in 2011 and 2010, respectively, for the purchase of fixed assets.

Services provided to the Hospital by related entities for the years ended December 31, are as follows (in thousands):

	2011	2010
Fund, Inc. – insurance ( <i>Note 8</i> )	\$ 64,404	\$ 76,211
RCP, Inc. – rentals	1,567	1,585
RCP-East – rentals	11,646	11,410
RCP-West – rentals	295	297
	\$ 77,912	\$ 89,503

In connection with a financing completed by RCP, Inc. in 2001 for the renovation and improvement of a parking garage facility, the Hospital entered into a noncancellable lease with RCP, Inc., for a period not longer than 29 years, whereby the Hospital will lease 50% of the parking spaces at an amount sufficient to cover the debt service on the financing.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### **10. Related Organizations (continued)**

As part of RCP-East's construction financing, the Hospital entered into a lease agreement for use of approximately 450 units for its staff housing through April 2035.

The Hospital received distributions of \$5 million and \$2.5 million in 2011 and 2010, respectively, from Weill Cornell Imaging at New York-Presbyterian, a radiology and imaging joint venture affiliated with the Hospital and Weill Cornell Medical College.

The Hospital received a distribution of approximately \$4.9 million in 2010 from Community Premier Plus, Inc. as part of the final liquidation of the company.

The Hospital provides employee and other services to related entities for which the Hospital receives reimbursement and the costs of providing such services are recorded directly by those entities. Accordingly, such amounts are not included in the accompanying financial statements of the Hospital. Charges for such services are based on the approximate cost to provide the services and totaled approximately \$45.9 million and \$43.5 million for the years ended December 31, 2011 and 2010, respectively. The services consist of patient accounting, financial planning, information systems and telecommunications, general accounting, medical supplies, biomedical engineering services, house staff, ambulance services, institutional billings, engineering and other services.



The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**10. Related Organizations (continued)**

The following balances are due (to) from related organizations at December 31 (in thousands):

	<u>2011</u>	<u>2010</u>
Fund, Inc.	\$ (6,199)	\$ (2,180)
RCP, Inc.	154	1,126
RCP-East	1,836	1,179
RCP-West	380	216
Network Recovery Services, Inc.	131	797
Silvercrest Extended Care Facility	79	60
The Brooklyn Hospital Center	402	1,027
The Hospital for Special Surgery	399	466
The New York Community Hospital of Brooklyn, Inc.	87	73
The New York Gracie Square Hospital, Inc.	141	143
The New York Hospital Medical Center of Queens	3,327	1,333
The New York Methodist Hospital	778	1,433
The New York-Presbyterian Community Health Plan, Inc. ("NYPCHP")	(8)	105
New York-Presbyterian Healthcare System, Inc.	(4,023)	(3,800)
The New York Westchester Square Medical Center ("Westchester Square")	2,894	2,778
The Rogosin Institute	349	327
Nyack Hospital	59	372
	<u>786</u>	<u>5,455</u>
Less noncurrent portion included in other non-current assets, before valuation allowance	<u>(3,033)</u>	<u>(3,759)</u>
Due (to) from related organizations – net	<u>\$ (2,247)</u>	<u>\$ 1,696</u>

The Hospital periodically assesses the collectibility of amounts due from related organizations. The amounts included in other noncurrent assets are adjusted to state the receivables at their estimated net realizable value. Westchester Square filed for bankruptcy protection in December 2006. The balances due from certain related organizations are provided for through a valuation allowance.

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 11. Other Revenue

Other revenue consisted of the following for the years ended December 31 (in thousands):

	<b>2011</b>	<b>2010</b>
Grants and contracts	\$ 19,888	\$ 17,940
Amounts received from related organizations, net (Note 10)	48,928	48,146
Rental of space	33,639	21,884
Cafeteria and vending	10,211	11,669
Net assets released from restrictions, including \$59,089 and \$54,340 in 2011 and 2010, respectively, included in changes in beneficial interest in net assets held by related organizations (Note 7)	60,112	59,340
Affiliation agreements	5,637	5,786
Other	47,787	29,549
	<b>\$ 226,202</b>	<b>\$ 194,314</b>

#### 12. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance or are not deemed material. While the outcome of these lawsuits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

At December 31, 2011, approximately 36.9% of the Hospital's employees were covered by collective bargaining agreements. Collective bargaining agreements covering all such employees are set to expire at various dates through 2015.

Effective January 1, 2009, the IRS issued final regulations for purposes of determining common control for qualified retirement plans sponsored by tax-exempt organizations. In general, tax-exempt entities that are under common control are treated as one entity for certain of the requirements of qualified plans. The regulations determine control based on facts and

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### **12. Commitments and Contingencies (continued)**

circumstances; for this purpose, common control would exist if, among other situations, at least 80% of the directors or trustees of one organization were either representatives of, or directly or indirectly controlled by, another organization. These regulations could have an effect on the operations of the Hospital's and its related entities' retirement plans and the responsibilities of those entities for associated liabilities, although such effects are uncertain at this time.

#### **13. Fair Value Measurements**

The Hospital utilizes various methods of calculating fair value of its financial assets and liabilities, when applicable. The Hospital defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the Hospital's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

The Hospital has established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers non-performance risk in its assessment of fair value.

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 13. Fair Value Measurements (continued)

Financial assets carried at fair value, excluding assets invested in the Hospital's defined benefit pension plan, are classified in the table below in one of the three categories described above as of December 31 (in thousands):

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 313,755	\$ 313,755	\$ —	\$ —
Fixed income:				
U.S. government	286,707	286,707	—	—
Non-U.S. government	4,418	4,418	—	—
Corporate	106,507	3,534	102,973	—
Mortgage and asset backed	100,149	1,791	98,358	—
Other	4,119	706	3,413	—
Equities:				
U.S. equities <sup>(a)</sup>	130,247	130,247	—	—
Non-U.S. equities <sup>(b)</sup>	106,811	106,811	—	—
Real assets	16,032	16,032	—	—
Mutual funds	22,075	22,075	—	—
	<b>\$ 1,090,820</b>	<b>\$ 886,076</b>	<b>\$ 204,744</b>	<b>\$ —</b>

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 239,998	\$ 239,998	\$ —	\$ —
Fixed income:				
U.S. government	163,295	163,295	—	—
Corporate	78,774	6,119	72,655	—
Mortgage and asset backed	164,868	12,770	152,098	—
Other	4,789	4,789	—	—
Equities:				
U.S. equities <sup>(a)</sup>	155,668	155,668	—	—
Non-U.S. equities <sup>(b)</sup>	43,979	43,979	—	—
Real assets	17,878	17,878	—	—
Mutual funds	22,522	22,522	—	—
	<b>\$ 891,771</b>	<b>\$ 667,018</b>	<b>\$ 224,753</b>	<b>\$ —</b>

The Hospital's alternative investments and common collective trusts are reported using the equity method of accounting, and therefore, are not included in the tables above (see Note 1).

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**13. Fair Value Measurements (continued)**

Financial assets invested in the Hospital's defined benefit pension plan at fair value are classified in the table below in one of the three categories described above as of December 31 (in thousands):

	<b>December 31, 2011</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 19,344	\$ 19,344	\$ —	\$ —
Fixed income:				
U.S. government	70,134	70,134	—	—
Non-U.S. government	3,605	3,605	—	—
Corporate bonds	4,915	4,915	—	—
Mortgage and asset backed	16,718	14,088	2,630	—
Other	3,538	3,538	—	—
Equities:				
U.S. equities <sup>(a)</sup>	86,566	44,637	41,929	—
Non-U.S. equities <sup>(b)</sup>	116,506	22,394	94,112	—
Real assets	16,033	16,033	—	—
Hedge funds <sup>(c)</sup>	128,337	—	109,364	18,973
Private equity <sup>(d)</sup>	119,902	—	—	119,902
Private real assets <sup>(e)</sup>	30,748	—	8,092	22,656
	<b>\$ 616,346</b>	<b>\$ 198,688</b>	<b>\$ 256,127</b>	<b>\$ 161,531</b>

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 13. Fair Value Measurements (continued)

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 12,607	\$ 12,607	\$ —	\$ —
Fixed income:				
U.S. government	62,787	62,787	—	—
Corporate bonds	8,139	4,599	3,540	—
Mortgage and asset backed	9,599	9,599	—	—
Other	3,600	3,600	—	—
Equities:				
U.S. equities <sup>(a)</sup>	92,913	58,271	34,642	—
Non-U.S. equities <sup>(b)</sup>	117,215	31,201	86,014	—
Real assets	17,987	17,987	—	—
Hedge funds <sup>(c)</sup>	157,291	—	127,500	29,791
Private equity <sup>(d)</sup>	110,992	—	—	110,992
Private real assets <sup>(e)</sup>	19,358	—	8,196	11,162
	<u>\$ 612,488</u>	<u>\$ 200,651</u>	<u>\$ 259,892</u>	<u>\$ 151,945</u>

(a) Equity portfolios and common collective trusts invested in common stock of corporations primarily domiciled in the United States.

(b) Equity portfolios and common collective trusts invested in common stock of corporations primarily domiciled outside the United States, including Emerging Market countries.

(c) Hedge funds include long and short equity, multi-strategy, event driven and relative value funds invested with managers who invest with different strategies and typically employ some leverage. In long and short fund managers create a portfolio of long positions in stocks expected to appreciate over time and short positions in stocks expected to depreciate. Event-driven managers create a portfolio designed to profit from corporate events such as mergers, spin-offs, defaults and bankruptcy. Relative value managers invest in long and short positions but typically have a more neutral net market position than long and short. Multi-strategy is a fund employing a variety of hedge fund strategies.

(d) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, growth equity, distressed and turnaround investments.

(e) Real estate and natural resources investments.

# The New York and Presbyterian Hospital

## Notes to Financial Statements (continued)

### 13. Fair Value Measurements (continued)

The following is a description of the Hospital's valuation methodologies for assets measured at fair value. The fair value methodologies are not necessarily indicators of liquidity, but are descriptive of the measures used to arrive at fair value pricing. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Level 2 common collective trusts and alternative investments are redeemable in the near term. Level 3 assets consist of alternative investments that are not redeemable in the near term. The valuation for alternative investments included in Level 2 and 3 is described in Note 9. The methods described above may produce a fair value that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Following is a rollforward of the statement of financial position amounts for financial instruments classified by the Hospital in Level 3 of the valuation hierarchy defined above (in thousands):

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 151,945	\$ 142,469
Total realized and unrealized gains or losses	11,377	24,038
Purchases	30,573	30,638
Sales	—	—
Transfers in	—	—
Transfers out	(32,364)	(45,200)
Balance, end of year	<u>\$ 161,531</u>	<u>\$ 151,945</u>
Change in unrealized gains related to financial instruments held at the reporting date	<u>\$ 2,345</u>	<u>\$ 19,739</u>

## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### 13. Fair Value Measurements (continued)

The following is a summary of investments (by major class) that have restrictions on the Hospital's ability to redeem its investments at the measurement date, any unfunded capital commitments and investments strategies of the investees as of December 31, 2011 (including investments accounted for using the equity method) (in thousands):

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds	\$ 304,736	\$ –	Monthly to tri-annually	45 to 180 days
Private equity	186,580	141,903	*	*
Private real assets	63,687	76,103	*	*
	<u>\$ 555,003</u>	<u>\$ 218,006</u>		

\* The Hospital's liquidity restrictions range from several months to ten years for certain private equity and real asset investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

The Hospital's long-term debt obligations are reported in the accompanying statements of financial position at carrying value which totaled approximately \$728.1 million at December 31, 2011, excluding capital leases and unamortized discount. The fair value of these obligations at December 31, 2011 as estimated based on quoted market prices for related bonds totaled approximately \$765.6 million (carrying value and fair value of approximately \$791.1 million and \$806.8 million, respectively, at December 31, 2010).

#### 14. Medical Resident Tax Refund

In March 2010, the IRS announced that, for periods ending before April 1, 2005, medical residents would be eligible for the student exception of Federal Insurance Contributions Act ("FICA") taxes. Under the student exception, FICA taxes do not apply to wages for services performed by students employed by a school, college or university where the student is pursuing a course of study. As a result, the IRS will allow refunds for institutions that file timely FICA refund claims and provide certain information to meet the requirements of perfection, established by the IRS, for their claims applicable to periods prior to April 1, 2005. Institutions are potentially eligible for medical resident FICA refunds for both the employer and employee portions of FICA taxes paid, plus statutory interest.



## The New York and Presbyterian Hospital

### Notes to Financial Statements (continued)

#### **14. Medical Resident Tax Refund (continued)**

For the years ended December 31, 2011 and 2010, the Hospital has recorded estimated net revenue of approximately \$0.5 million and \$14.3 million, respectively, related to FICA medical resident refund claims that are expected to meet the IRS requirements to be eligible for refunds. At December 31, 2011 and 2010, the Hospital has recorded a receivable of approximately \$39.1 million and \$37.8 million, respectively, included in other noncurrent assets, and a liability of approximately \$23.7 million and \$22.9 million, respectively, included in other noncurrent liabilities, related to the portion of the refunds to be collected on behalf of, and, therefore, to be remitted to the medical residents and related entities. The Hospital has established these estimates based on information presently available; the estimates are subject to change as the IRS adjudicates the claims.

#### **15. Multiemployer Pension Plans**

The Hospital contributes to the New York State Nurses Association Pension Plan (“NYSNA”) and the 1199 SEIU Healthcare Employees Pension Fund (“1199 SEIU”). These are multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover the Hospital’s union-represented employees. Contributions to union plans are based on union employee gross salary levels and rates required under union contractual arrangements. The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

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

The New York and Presbyterian Hospital

Notes to Financial Statements (continued)

**15. Multiemployer Pension Plans (continued)**

The Hospital’s participation in these plans for the annual period ended December 31, 2011 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (“EIN”) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (“PPA”) zone status available in 2011 and 2010 is for the plan’s year-end at December 31, 2010 and December 31, 2009, respectively. The zone status is based on information that the Hospital received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The “FIP/RP Status” column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions by the Hospital		Surcharge Imposed	Expiration Date of Collective Bargaining - Agreement
		2011	2010		2011	2010		
NYSNA	13-6604799/ Plan No. 001	Green	Green	No	\$ 19,159	\$ 14,274	No	12/31/2014
1199 SEIU	13-3604862/ Plan No. 001	Green as of 1/1/11	Red as of 1/1/10	Yes <sup>(i)</sup>	20,301	16,745	No	4/30/2015
					<u>\$ 39,460</u>	<u>\$ 31,019</u>		

*(In Thousands)*

(i) The rehabilitation plan has been implemented for a 13-year period beginning January 1, 2012 and ending December 31, 2024.

The Hospital was listed in the NYSNA plan’s Forms 5500 as providing more than 5% of the total contributions during each of the plans 2010 and 2009 plan years. Forms 5500 are not yet available for the plan years ended in 2011.

**16. Events Subsequent to December 31, 2011**

Subsequent events have been evaluated through April 27, 2012, which is the date the financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the financial statements.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

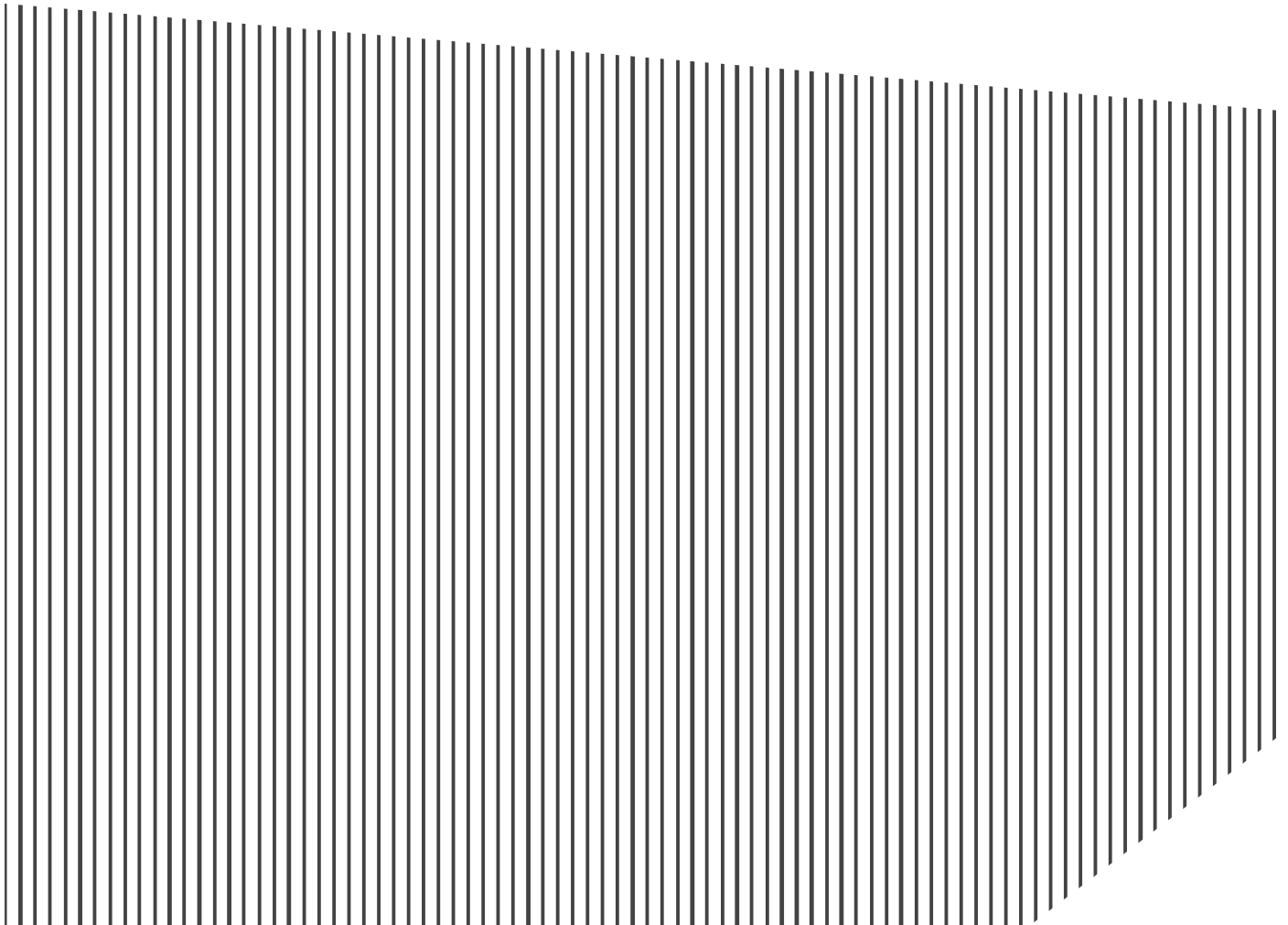
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## APPENDIX D—CERTAIN DEFINITIONS

*The following are definitions of certain terms, unless the context shall otherwise require, used in the Indenture, the Loan Agreement or this Official Statement.*

**Additional Bonds** shall mean one or more Series of additional bonds issued, executed, authenticated and delivered under the Indenture.

**Additional Improvements** shall have the meaning specified in Section 3.4(a) of the Loan Agreement.

An **Affiliate** of a Person shall mean a Person that directly or indirectly through one or more intermediaries Controls, or is under common Control with, or is Controlled by, such Person.

**Annual Administrative Fee** shall mean that annual administrative fee established from time to time by the Issuer's Board of Directors as generally applicable to Entities receiving or that have received financial assistance from the Issuer (subject to such exceptions from such general applicability as may be established by the Issuer's Board of Directors).

**Approved Facility** shall mean the Facility as occupied, used and operated by the Institution substantially for the Approved Project Operations, including such other activities as may be substantially related to or substantially in support of such operations, all to be effected in accordance with the Loan Agreement.

**Approved Project Operations** shall mean the approximately 501,375 square foot, ten level (including the roof), 1,950 space parking garage located at 115-143 Fort Washington Avenue, New York, New York, for use by the Institution in the providing of services to the employees, staff, visitors and patients of the Hospital.

**Approving Resolution** shall mean the resolution of the Issuer adopted on June 12, 2012 authorizing the Project, and undertaking to permit the issuance of the Initial Bonds to finance the Project.

**Assignment of Mortgage** shall mean the Assignment of Mortgage and Security Agreement, dated as of June 1, 2012, from the Issuer to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

**Authorized Denomination** shall mean, in the case of the Initial Bonds, \$5,000 or any integral multiple of \$5,000 in excess thereof.

**Authorized Principal Amount** shall mean, in the case of the Initial Bonds, \$24,660,000.

**Authorized Representative** shall mean, (i) in the case of the Issuer, the Chairperson, Vice Chairperson, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs, or any other officer or employee of the Issuer who is authorized to perform specific acts or to discharge specific duties, and (ii) in the case of the Institution, a person named in Exhibit C - "Authorized Representative" to the Loan Agreement or any other officer or employee of the Institution who is authorized to perform specific duties under the Loan Agreement or under any other Security Document and of whom another Authorized Representative of the Institution has given written notice to the Issuer and the Trustee; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Loan Agreement or any other Security Document, such certificate or

statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

**Beneficial Owner** shall mean, whenever used with respect to an Initial Bond, the Person in whose name such Initial Bond is recorded as the Beneficial Owner of such Initial Bond by the respective systems of DTC and each of the Participants of DTC. If at any time the Initial Bonds are not held in the Book-Entry System, Beneficial Owner shall mean “Holder” for purposes of the Security Documents.

**Bond Fund** shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

**Bondholder, Holder of Bonds, Holder, holder or Owner** shall mean any Person who shall be the registered owner of any Bond or Bonds.

**Bond Insurance Policy** shall mean, with respect to Bonds of a Series, the financial guaranty insurance policy or municipal bond insurance policy, if any, relating thereto which is issued by the Bond Insurer to the Trustee concurrently with the original issuance of such Bonds.

**Bond Insurer** shall mean the issuer of a Bond Insurance Policy, if any, relating to the bonds of a Series, which, in respect of the Series 2012 Bonds, is Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

**Bond Payment Date** shall mean, with respect to a Series of Bonds, each date upon which interest, principal and/or Sinking Fund Installments shall be scheduled to be paid under such Series of Bonds.

**Bond Registrar** shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

**Bond Resolution** shall mean the resolution of the Issuer adopted on June 12, 2012 authorizing the issuance of the Initial Bonds.

**Bonds** shall mean the Initial Bonds and any Additional Bonds.

**Business Day** shall mean any day that shall not be:

- (i) a Saturday, Sunday, or legal holiday;
- (ii) a day on which banking institutions in the City are authorized by law or executive order to close; or
- (iii) a day on which the New York Stock Exchange is closed.

**City** shall mean The City of New York, New York.

**Claims** shall have the meaning set forth in Section 8.2(a) of the Loan Agreement.

**Closing Date** shall mean June 29, 2012, the date of the initial issuance and delivery of the Initial Bonds.

**Code** shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder. All references to Sections of the Code or regulations thereunder shall be deemed to include any such Sections or regulations as they may hereafter be renumbered in any subsequent amendments to the Code or such regulations.

**Completed Improvements Rentable Square Footage** shall mean approximately 387,158.

**Computation Date** shall have the meaning assigned to that term in the Tax Certificate.

**Computation Period** shall have the meaning assigned to that term in the Tax Certificate.

**Conduct Representation** shall mean any representation by the Institution under Section 2.2(t) of the Loan Agreement, or by any other Person in any Required Disclosure Statement delivered to the Issuer.

**Control or Controls**, including the related terms “controlled by” and “under common control with”, shall mean the power to direct the management and policies of a Person (x) through the ownership, directly or indirectly, of not less than a majority of its voting securities, (y) through the right to designate or elect not less than a majority of the members of its board of directors or trustees or other Governing Body, or (z) by contract or otherwise.

**Costs of Issuance** shall mean issuance costs with respect to the Initial Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: counsel fees (including bond counsel, counsel to the Underwriter, Trustee’s counsel, Issuer’s counsel, Institution’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Issuer or the Institution incurred in connection with the issuance of the Initial Bonds; engineering and feasibility study costs; guarantee fees (other than Qualified Guarantee Fees, as defined in the Tax Certificate); Rating Agency fees; Trustee and Paying Agent fees; accountant fees and other expenses related to issuance of the Initial Bonds; printing costs (for the Initial Bonds and of the preliminary and final Official Statement relating to the Initial Bonds); printing costs for the Initial Bonds and offering documents; public approval and process costs; fees and expenses of the Issuer incurred in connection with the issuance of the Initial Bonds; and Blue Sky fees and expenses; and similar costs.

**Defaulted Interest** shall have the meaning specified in Section 2.02(f) of the Indenture.

**Defeasance Obligations** shall mean Government Obligations that are not subject to redemption prior to maturity.

**Determination of Taxability** shall mean:

(i) the adoption, promulgation or enactment of any federal statute or regulation, or any determination, decision, decree or ruling made by the Commissioner or any District Director of the Internal Revenue Service;

(ii) the issuance of a public or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Institution has participated or has been given the opportunity to participate, and which ruling or memorandum the Institution, in its discretion, does not contest or from which no further right of judicial review or appeal exists;

(iii) a determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Institution has participated or has been a party, or has been given the opportunity to participate or be a party; or

(iv) the admission in writing by the Institution; in any case, to the effect that the interest payable on the Bonds of a Holder or a former Holder thereof is includable in gross income for federal income tax purposes;

provided, however, that no such Determination of Taxability described in clauses (ii) or (iii) hereof shall be considered to exist unless (1) the Holder or former Holder of the Bond involved in such proceeding (A) gives the Institution and the Trustee prompt notice of the commencement thereof and (B) (if the Institution agrees to pay all expenses in connection therewith) offers the Institution the opportunity to control the defense thereof and (2) either (A) the Institution does not agree within thirty (30) days of receipt of such offer to pay such expenses and to control such defense or (B) the Institution shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Institution determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

**DOL** shall have the meaning set forth in Section 8.7(c) of the Loan Agreement.

**DTC** shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

**Due Date** shall have the meaning set forth in Section 9.9(a) of the Loan Agreement.

**Earnings Fund** shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

**Entity** shall mean any of a corporation, general partnership, limited liability company, limited liability partnership, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, governmental authority or governmental instrumentality, but shall not include an individual.

**Event of Default** shall have the meaning specified in the Indenture or the Loan Agreement, as applicable.

**Event of Taxability** shall mean the date specified in a Determination of Taxability as the date interest paid or payable on any Bond becomes includable for federal income tax purposes in the gross income of any Holder thereof as a consequence of any act, omission or event whatsoever, including any change of law, and regardless of whether the same was within or beyond the control of the Institution.

**Facility** shall mean, collectively, the Facility Personalty and the Facility Realty.

**Facility Personalty** shall mean those items of machinery, equipment and other items of personalty the acquisition and/or the installation of which is to be financed in whole or in part with the proceeds of the Bonds for installation or use at the Facility Realty and described in Exhibit B - "Description of the Facility Personalty", together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto. Facility Personalty shall, in accordance with the provisions of Sections 3.5 and 6.4 of the Loan Agreement, include all property substituted for or replacing items of Facility Personalty and exclude all items of Facility Personalty so substituted for or replaced, and further exclude all items of Facility Personalty removed as provided in Section 3.5 of the Loan Agreement.

**Facility Realty** shall mean, collectively, the Land and the Improvements.

**Fitch** shall mean Fitch, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.



**GAAP** shall mean those generally accepted accounting principles and practices that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the Closing Date, so as to properly reflect the financial position of the Institution, except that any accounting principle or practice required to be changed by the Financial Accounting Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle or practice may be so changed.

**Garage Lease** shall mean the Lease Agreement, dated as of October 1, 2011, by and between the Institution and the Hospital, as amended by the Garage Lease Modification Agreement, dated June 29, 2012.

**Governing Body** shall mean, when used with respect to any Entity, its board of directors, board of trustees or individual or group of individuals by, or under the authority of which, the powers of such Entity are exercised.

**Government Obligations** shall mean the following:

(i) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America;

(ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof; or

(iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (i) or (ii) above.

**Impositions** shall have the meaning set forth in Section 8.17(a) of the Loan Agreement.

**Improvements** shall mean:

(i) all buildings, structures, foundations, related facilities, fixtures and other improvements existing on the Closing Date and erected or situated on the Land;

(ii) any other buildings, structures, foundations, related facilities, fixtures and other improvements constructed or erected on the Land; and

(iii) all replacements, improvements, additions, extensions, substitutions, restorations and repairs to any of the foregoing.

**Indemnification Commencement Date** shall mean June 12, 2012, the date on which the Issuer first adopted a resolution with respect to the Project.

**Indemnified Parties** shall have the meaning set forth in Section 8.2(a) of the Loan Agreement.

**Indenture** shall mean the Indenture of Trust, dated as of June 1, 2012, between the Issuer and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of the Indenture.

**Independent Accountant** shall mean an independent certified public accountant or firm of independent certified public accountants selected by the Institution and approved by the Issuer and the Trustee (such approvals not to be unreasonably withheld or delayed).

**Independent Engineer** shall mean a Person (not an employee of either the Issuer or the Institution or any Affiliate of either thereof) registered and qualified to practice engineering or architecture under the laws of the State, selected by the Institution, and approved in writing by the Trustee (which approval shall not be unreasonably withheld).

**Initial Bonds** shall mean the Issuer's \$24,660,000 Parking Facility Revenue Bonds (Royal Charter Properties, Inc.-The New York and Presbyterian Hospital Leasehold Project), Series 2012 authorized, issued, executed, authenticated and delivered on the Closing Date under the Indenture.

**Institution** shall mean Royal Charter Properties, Inc., a not-for-profit corporation organized and existing under the laws of the State of New York, and its successors and assigns; provided, however, that nothing contained in this definition shall be deemed to limit or modify the obligations of the Institution under Section 8.9 or 8.20 of the Loan Agreement.

**Institution's Property** shall have the meaning specified in Section 3.4(d) of the Loan Agreement.

**Insurer Reimbursement Amounts** shall mean the meaning set forth in Section 8.28(a) of the Loan Agreement.

**Interest Account** shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

**Interest Payment Date** shall mean, with respect to the Initial Bonds, June 15 and December 15 of each year, commencing December 15, 2012, and with respect to any Series of Additional Bonds, the dates set forth therefor in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

**Issuer** shall mean Build NYC Resource Corporation, a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State at the direction of the Mayor of the City, and its successors and assigns.

**Issuer's Reserved Rights** shall mean, collectively,

(i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement;

(iii) the right of the Issuer to enforce or otherwise exercise in its own behalf all agreements of the Institution under the Loan Agreement with respect to ensuring that the Facility shall always constitute the Approved Facility;

(iv) the right of the Issuer in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 3.3, 3.4, 3.5, 3.6, 3.7, 4.4, 4.5, 4.6, 4.7, 4.8, 5.1, 5.2, 6.1, 6.2, 6.3, 6.4, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, 8.11, 8.12, 8.13, 8.14, 8.15, 8.16, 8.17, 8.18, 8.19, 8.20, 8.21, 8.22, 8.23, 8.24, 8.25,

8.26, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, 10.1, 10.2, 10.3, 11.1, 11.3, 11.5, 12.1, 12.3, 12.4, 12.5, 12.6, 12.13 and 12.14 of the Loan Agreement; and

(v) the right of the Issuer in its own behalf to declare a default with respect to any of the Issuer's Reserved Rights and exercise the remedies set forth in Section 9.2(b) of the Loan Agreement.

**Land** shall mean that certain lot, piece or parcel of land in Block 2316 and Lot 245, generally known by the street address 115-143 Fort Washington Avenue, New York, New York, all as more particularly described in Exhibit A — "Description of the Land", together with all easements, rights and interests now or hereafter appurtenant or beneficial thereto; but excluding, however, any real property or interest therein released pursuant to Section 8.10 of the Loan Agreement.

**Land Square Footage** shall mean approximately 194,130 square feet.

**Legal Requirements** shall mean the Constitutions of the United States and the State of New York and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, certificates of occupancy, directions and requirements (including zoning, land use, planning, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, including those of the City, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) the Institution, (ii) the Facility or any part thereof, or (iii) any use or condition of the Facility or any part thereof.

**Letter of Representation and Indemnity Agreement** shall mean the Letter of Representation and Indemnity Agreement, dated the Closing Date, from the Institution to the Issuer, the Trustee and the original purchaser(s) of the Initial Bonds.

**Liability** shall have the meaning set forth in Section 8.2(a) of the Loan Agreement.

**Liens** shall have the meaning specified in Section 8.11(a) of the Loan Agreement.

**Loan** shall mean the loan made by the Issuer to the Institution pursuant to the Loan Agreement as described in Section 4.1 thereof.

**Loan Agreement** shall mean the Loan Agreement, dated as of June 1, 2012, between the Issuer and the Institution, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

**Loan Payment Date** shall mean the fifteenth (15<sup>th</sup>) day of each month (or, if the fifteenth (15<sup>th</sup>) day is not a Business Day, the immediately preceding Business Day).

**Loss Event** shall have the meaning specified in Section 6.1 of the Loan Agreement.

**Majority Holders** shall mean the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds Outstanding, or, if the Bonds shall cease to be in book-entry form, the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding.

**Maturity Date** shall mean December 15, 2032.

**Moody's** shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of

a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

**Mortgage** shall mean, the Mortgage and Security Agreement, dated as of June 1, 2012, and each from the Institution to the Issuer and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

**Nationally Recognized Bond Counsel** shall mean counsel acceptable to the Issuer and the Trustee and experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

**Net Proceeds** shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount of any such proceeds, award, compensation or damages less all expenses (including reasonable attorneys’ fees and any extraordinary expenses of the Issuer or the Trustee) incurred in the collection thereof.

**Notice Parties** shall mean the Issuer, the Institution, the Bond Registrar, the Paying Agents and the Trustee.

**Opinion of Counsel** shall mean a written opinion of counsel for the Institution or any other Person (which counsel shall be reasonably acceptable to the Issuer and the Trustee) with respect to such matters as required under any Security Document or as the Issuer or the Trustee may otherwise reasonably require, and which shall be in form and substance reasonably acceptable to the Issuer and the Trustee.

**Organizational Documents** shall mean, (i) in the case of an Entity constituting a limited liability company, the articles of organization or certificate of formation, and the operating agreement of such Entity, (ii) in the case of an Entity constituting a corporation, the charter, articles of incorporation or certificate of incorporation, and the bylaws of such Entity, and (iii) in the case of an Entity constituting a general or limited partnership, the partnership agreement of such Entity.

**Outstanding**, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Article X of the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or under any other Security Document, Bonds owned by the Institution or any Affiliate of the Institution shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Institution or any Affiliate of the Institution.

**Participants** shall mean those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**Paying Agent** shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

**Permitted Encumbrances** shall mean:

(i) the Mortgage, the Assignment of Mortgage and any other Security Document;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not yet due and payable;

(iii) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien, security interest, encumbrance or charge or right in respect thereof, placed on or with respect to the Facility or any part thereof, if payment is not yet due and payable, or if such payment is being disputed pursuant to Section 8.11(b) of the Loan Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Institution certifies to the Issuer and the Trustee will not materially interfere with or impair the Institution's use and enjoyment of the Facility as provided in the Loan Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to property similar in character to the Facility as do not, as set forth in a certificate of an Authorized Representative of the Institution delivered to the Issuer and the Trustee, either singly or in the aggregate, render title to the Facility unmarketable or materially impair the property affected thereby for the purpose for which it was acquired or purport to impose liabilities or obligations on the Issuer;

(vi) those exceptions to title to the Facility Realty enumerated in the title insurance policy delivered pursuant to Section 3.7 of the Loan Agreement insuring the Trustee's mortgagee interest in the Facility Realty, a copy of which is on file at the offices of the Issuer and at the designated corporate trust office of the Trustee;

(vii) liens arising by reason of good faith deposits with the Institution in connection with the tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Institution to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(viii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Institution to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(ix) any judgment lien against the Institution, so long as the finality of such judgment is being contested in good faith and execution thereon is stayed;

(x) any purchase money security interest in movable personal property, including equipment leases and financing;

(xi) liens on property due to rights of governmental entities or third party payors for recoupment of excess reimbursement paid;

(xii) a lien, restrictive declaration or performance mortgage with respect to the operation of the Facility arising by reason of a grant or other funding received by the Institution from the City, the State or any governmental agency or instrumentality; \

(xiii) any lien, security interest, encumbrances or charge which exists in favor of the Trustee or to which the Trustee and the Bond Insurer (so long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default of its obligations under the Bond Insurance Policy) shall consent in writing.

**Person** shall mean an individual or any Entity.

**Plans and Specifications** shall mean the plans and specifications prepared for the Project by or on behalf of the Institution, as amended from time to time by or on behalf of the Institution to reflect any remodeling or relocating of the Project or substitutions, additions, modifications and improvements to the Project made by the Institution in compliance with the Loan Agreement, said plans and specifications being duly certified by an Authorized Representative of the Institution and filed in the designated corporate trust office of the Trustee and available to the Issuer.

**Policy(ies)** shall have the meaning specified in Section 8.1(a) of the Loan Agreement.

**Principal Account** shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

**Principals** shall mean, with respect to any Entity, the most senior three officers of such Entity, any Person with a ten percent (10%) or greater ownership interest in such Entity and any Person as shall have the power to Control such Entity, and "principal" shall mean any of such Persons.

**Project** shall mean the redemption and defeasance of the Prior Bonds.

**Project Costs** shall mean:

- (i) all costs of title insurance as provided in Section 3.7 of the Loan Agreement;
- (ii) the payment of the Costs of Issuance with respect to the Initial Bonds;
- (iii) all costs which the Institution shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Institution for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and
- (iv) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Additional Bonds.

“Project Costs” shall not include (i) fees or commissions of real estate brokers, (ii) moving expenses, or (iii) operational costs.

**Project Fund** shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

**Project Work** shall mean (i) the design, construction and/or renovation of the Improvements, including the acquisition of building materials and fixtures, and (ii) the acquisition, whether by title or lease, of the Facility Personalty and any work required to install same.

**Promissory Note** shall mean, with respect to the Initial Bonds, that certain Promissory Note in substantially the form of Exhibit F to the Loan Agreement, and, with respect to any Series of Additional Bonds, that certain Promissory Note in substantially the form of any related Exhibit to an amendment to the Loan Agreement, and shall include in each case any and all amendments thereof and supplements thereto made in conformity with the Loan Agreement and the Indenture.

**Purchase Price** shall mean an amount equal to the Redemption Price that would be applicable to the Initial Bonds being purchased pursuant to Section 2.03(g) of the Indenture if such Initial Bonds were being optionally redeemed pursuant to Section 2.03(a) of the Indenture on the date such Initial Bonds are being so purchased, plus accrued interest thereon to the date of purchase.

**Qualified Investments** shall mean, to the extent permitted by applicable law, the following:

- (i) Government Obligations.
- (ii) Obligations issued or guaranteed by any of the following instrumentalities or agencies of the United States of America:
  - (a) Federal Home Loan Bank System
  - (b) Export-Import Bank of the United States
  - (c) Federal Financing Bank
  - (d) Government National Mortgage Association
  - (e) Farmers Home Administration
  - (f) Federal Home Loan Mortgage Corporation
  - (g) Federal Housing Administration
  - (h) Private Export Funding Corporation

(i) Tennessee Valley Authority

(iii) Commercial paper, rated “P-1” by Moody’s or “A-1” by S&P, issued by a corporation or banking institution organized under the laws of the United States or any state thereof.

(iv) Direct and general long-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by Moody’s or S&P.

(v) Direct and general short-term obligations of any state of the United States on which the full faith and credit of the state is pledged and which are rated in the highest rating category by Moody’s and S&P.

(vi) Time deposits with, including certificates of deposit issued by, any office located in the United States of any bank or trust company that is organized under the laws of the United States or any state thereof, but only if the senior debt securities of such bank or trust company or (if such bank or trust company is owned by a holding company) of its holding company are rated in one of the three highest rating categories by S&P or Moody’s.

(vii) Mutual funds with assets in excess of \$150,000,000 investing in obligations of the type specified in (i), (ii), (iv) or (v) above.

(viii) Other obligations, interest on which is excludable from gross income for purposes of federal income taxation, which are rated in the two highest rating categories by S&P and Moody’s.

(ix) Any other investment permitted by law and approved in writing by the Bond Insurer which issued a Bond Insurance Policy for the applicable Series of Bonds or if there is no Bond Insurance Policy, Trustee at the written direction of 66-2/3% in aggregate principal amount of the Bondowners.

**Rating Agency** shall mean any of S&P, Moody’s or Fitch and such other nationally recognized securities rating agency as shall have awarded a rating to the Initial Bonds.

**Rating Category** shall mean one of the generic rating categories of a Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**Rating Confirmation Notice** shall mean a notice from a Rating Agency confirming that the rating on the Initial Bonds will not be lowered or withdrawn as a result of the action proposed to be taken.

**Rebate Amount** shall have the meaning assigned to that term in the Tax Certificate.

**Rebate Fund** shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

**Record Date** shall mean, with respect to any Interest Payment Date for the Initial Bonds, the close of business on the fifteenth (15<sup>th</sup>) day of the month next preceding such Interest Payment Date, or, if such day is not a Business Day, the next preceding Business Day.

**Redemption Account** shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

**Redemption Date** shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

**Redemption Price** shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.



**Refunding Bonds** shall have the meaning assigned to that term in Section 2.07(c) of the Indenture.

**Reimbursement Resolution** shall mean the Bond Resolution adopted by the Issuer with respect to the Project and the debt financing thereof.

**Related Security Documents** shall mean all Security Documents other than the Indenture.

**Renewal Fund** shall mean the special trust fund so designated, established pursuant to Section 5.01 of the Indenture.

**Representations Letter** shall mean the Blanket Issuer Letter of Representations from the Issuer to DTC with respect to the Initial Bonds.

**Responsible Officer** shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

**S&P** shall mean Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

**Securities Depository** shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

**Security Documents** shall mean, collectively, the Loan Agreement, the Promissory Note, the Indenture, the Tax Certificate, the Mortgage, the Assignment of Mortgage and the Undertaking, Consent and Assignment Agreement.

**Series** shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

**Sinking Fund Installment** shall mean an amount so designated and which is established for mandatory redemption on a date certain of the Bonds of any Series of Bonds pursuant to the Indenture. The portion of any such Sinking Fund Installment of a Series of Bonds remaining after the deduction of any amounts credited pursuant to the Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments of such Series of Bonds due on a future date.

**Sinking Fund Installment Account** shall mean the special trust account of the Bond Fund so designated, which is established pursuant to Section 5.01 of the Indenture.

**Special Record Date** shall have the meaning specified in Section 2.02(f) of the Indenture.

**State** shall mean the State of New York.

**Supplemental Indenture** shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with Article XI of the Indenture.

**Taxable Rate** shall mean nine percent (9%) per annum.

**Tax Certificate** shall mean the Tax Certificate, dated the Closing Date, from the Issuer and the Institution to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

**Tax-Exempt Organization** shall mean an Entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from Federal income taxes under 501(a) of Code, or corresponding provisions of Federal income tax laws from time to time in effect.

**Termination Date** shall mean such date on which the Loan Agreement may terminate pursuant to its terms and conditions prior to the Maturity Date.

**Transfer** shall have the meaning specified in Section 8.20(a)(iv) of the Loan Agreement.

**Trustee** shall mean The Bank of New York Mellon, New York, New York in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

**Trust Estate** shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

**Undertaking, Consent and Assignment Agreement** shall mean the Undertaking, Consent and Assignment Agreement, dated June 29, 2012, by and among the Issuer, the Trustee, the Institution and the Hospital.

**Yield** shall have the meaning assigned to such term in the Tax Certificate.

## APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

*The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreement for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Loan Agreement and are included for ease of reference only.*

### **Loan of Proceeds.**

The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to make the Loan and lend to the Institution an amount equal to the principal amount of the Initial Bonds. The proceeds of the Series 2012 Bonds shall be applied in accordance with the Indenture. (Section 4.1)

### **Promissory Note.**

The Institution's obligation to repay the Loan shall be evidenced by the Loan Agreement and the Promissory Note. On the Closing Date, the Institution shall execute and deliver the Promissory Note payable to the Issuer. (Section 4.2)

### **Loan Payments; Pledge of the Loan Agreement and of the Promissory Note.**

(a) The Institution covenants to pay the Promissory Note and repay the Loan made pursuant to the Loan Agreement by making loan payments which the Issuer agrees shall be paid in immediately available funds by the Institution directly to the Trustee on each Loan Payment Date (except as otherwise provided in Loan Agreement) for deposit in the Bond Fund (except to the extent that amounts are on deposit in the Bond Fund and available therefor) in an amount equal to the sum of:

(i) with respect to interest due and payable on the Initial Bonds, on each Loan Payment Date, an amount equal to the interest next becoming due on the Initial Bonds on the immediately succeeding Interest Payment Date;

(ii) with respect to principal due on the Initial Bonds (other than such principal amount as shall become due as a mandatory Sinking Fund Installment payment), on that Loan Payment Date as shall immediately precede the final maturity date of the Initial Bonds, an amount sufficient to pay the principal of the Initial Bonds Outstanding becoming due on such final maturity date of the Initial Bonds; provided, however, that in the event of the acceleration of the principal of the Initial Bonds, a loan payment in the amount of the principal amount of the Bonds Outstanding (together with all interest accrued thereon to the date of payment), shall be due and payable on such date of acceleration;

(iii) with respect to Sinking Fund Installment payments due on the Initial Bonds, on each Loan Payment Date an amount equal to the Sinking Fund Installment of the Initial Bonds Outstanding next becoming due on the immediately succeeding Sinking Fund Installment payment date;

(iv) on each redemption date, with respect to the Redemption Price (other than by Sinking Fund Installments) due and payable on the Initial Bonds, whether as an optional or mandatory redemption, an amount equal to the Redemption Price together with accrued interest on the Initial Bonds being redeemed on such redemption date.

(b) In the event the Institution should fail to make or cause to be made any of the payments required under the foregoing provisions, the item or installment not so paid shall continue as an obligation of the Institution until the amount not so paid shall have been fully paid.

(c) The Institution has the option to make advance loan payments for deposit in the Bond Fund to effect the retirement, defeasance or redemption of the Bonds in whole or in part, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance loan payments under the Loan Agreement if there shall exist and be continuing an Event of Default. The Institution shall exercise its option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Institution to the Trustee in accordance with the Indenture, with a copy to the Issuer, setting forth (i) the amount of the advance loan payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice). In the event the Institution shall exercise its option to make advance loan payments to effect the redemption in whole of the Bonds, and such redemption is expressly permitted under the Indenture as a result of the damage, destruction or condemnation of the Facility, or changes in law, or executive or judicial action, the Institution shall further deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes. Such advance loan payment shall be paid to the Trustee in legal tender, for deposit in the Redemption Account of the Bond Fund on or before the redemption date and shall be an amount which, when added to the amounts on deposit in the Bond Fund and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents in connection with such redemption. In the event the Bonds are to be redeemed in whole or otherwise retired, the Institution shall further pay on or before such redemption date, in legal tender, to the Issuer, the Trustee, the Bond Registrar and the Paying Agent all fees and expenses owed such party or any other party entitled thereto under the Loan Agreement or the Indenture together with (i) all other amounts due and payable under the Loan Agreement and the other Security Documents, and (ii) any amounts required to be rebated to the Federal government pursuant to the Indenture or the Tax Certificate.

(d) At its option, to be exercised on or before the forty-fifth (45th) day next preceding the date any Bonds of a Series are to be redeemed from mandatory Sinking Fund Installments, the Institution may deliver to the Trustee Bonds of such Series which are subject to mandatory Sinking Fund Installment redemption in an aggregate principal amount not in excess of the principal amount of Bonds of such Series to be so redeemed on such date. Each such Bond so delivered shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date and any excess over such Sinking Fund Installment shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of Bonds to be redeemed by operation of the mandatory Sinking Fund Installments shall be accordingly reduced.

(e) In the event Defaulted Interest (as defined in Section 2.02(f) of the Indenture) shall become due on any Initial Bond, the Institution shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Initial Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with Section 2.02(f) of the Indenture), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment.

(f) No further loan payments need be made to the Issuer on account of the Bonds when and so long as the amount of cash and/or Defeasance Obligations on deposit in the Bond Fund is sufficient to satisfy

and discharge the obligations of the Issuer under the Indenture and pay the Bonds as provided in Article X of the Indenture.

(g) Any amounts remaining in the Earnings Fund, the Rebate Fund, the Bond Fund, the Project Fund or the Renewal Fund after payment in full of (i) the Bonds (in accordance with Article X of the Indenture), (ii) the fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents in accordance with the Indenture, (iii) all loan payments and all other amounts payable under the Loan Agreement and under the Promissory Note, and after all amounts required to be rebated to the Federal government pursuant to the Tax Certificate or the Indenture, and (iv) all amounts required to be paid under any Security Document, shall have been so paid, shall belong to and be paid to the Institution by the Trustee as overpayment of the loan payments.

(h) In the event that the Institution fails to make any loan payment required in the Loan Agreement, the installment so in default shall continue as an obligation of the Institution until the amount in default shall have been fully paid.

(i) Notwithstanding anything in the foregoing to the contrary, if the amount on deposit and available in the Bond Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on the Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Institution shall forthwith pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Bond Fund. *(Section 4.3)*

#### **Nature of Institution's Obligation Unconditional.**

The Institution's obligation under the Loan Agreement and under the Promissory Note to pay the loan payments and all other payments provided for in the Loan Agreement and in the Promissory Note shall be absolute, unconditional and a general obligation of the Institution, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee or the Holder of any Bond and the obligation of the Institution shall arise whether or not any provider of a credit facility or liquidity facility with respect to the Bonds shall be honoring its obligations thereunder. The Institution will not suspend or discontinue any such payment or terminate the Loan Agreement (other than such termination as is provided for under the Loan Agreement), or suspend the performance or observance of any covenant or agreement required on the part of the Institution under the Loan Agreement, for any cause whatsoever, and the Institution waives all rights now or hereafter conferred by statute or otherwise to quit, terminate, cancel or surrender the Loan Agreement or any obligation of the Institution under the Loan Agreement except as provided in the Loan Agreement or to any abatement, suspension, deferment, diminution or reduction in the loan payments or other payments under the Loan Agreement or under the Promissory Note. *(Section 4.5)*

#### **Advances by the Issuer or the Trustee.**

In the event the Institution fails to make any payment or to perform or to observe any obligation required of it under the Loan Agreement, under the Promissory Note or under any other Security Document, the Issuer or the Trustee, after first notifying the Institution in writing of any such failure on its part (except that no prior notification of the Institution shall be required in the event of an emergency condition that, in the reasonable judgment of the Issuer or the Trustee, necessitates immediate action), may (but shall not be obligated to), and without waiver of any of the rights of the Issuer or the Trustee under the Loan Agreement or any other Security Document to which the Issuer or the Trustee is a party, make such payment or otherwise cure any failure by the Institution to perform and to observe its other obligations under the Loan Agreement or thereunder. All amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Institution to the Issuer or the Trustee, as the case may be, which amounts, together with interest thereon at the rate of twelve percent (12%) per annum, compounded daily, from the date advanced, the Institution will pay upon demand therefor by the Issuer or the Trustee, as applicable. Any remedy vested in the

Issuer or the Trustee in the Loan Agreement or in any other Security Document for the collection of the loan payments or other payments or other amounts due under the Loan Agreement, under the Promissory Note or under any other Security Document shall also be available to the Issuer or the Trustee for the collection of all such amounts so advanced. No advance shall be made by the Trustee except upon the written direction of the Majority Holders. *(Section 4.6)*

### **Damage, Destruction and Condemnation.**

In the event that the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement to which the Institution and those authorized to exercise such right are parties, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a “**Loss Event**”):

(i) the Issuer shall have no obligation to rebuild, replace, repair or restore the Facility or to advance funds therefor,

(ii) there shall be no abatement, postponement or reduction in the loan payments or other amounts payable by the Institution under the Loan Agreement or the Promissory Note or any other Security Document to which it is a party, and the Institution waives, to the extent permitted by law, any provisions of law which would permit the Institution to terminate the Loan Agreement, the Promissory Note or any other Security Document, or eliminate or reduce its payments under the Loan Agreement, under the Promissory Note or under any other Security Document, and

(iii) the Institution will promptly give written notice of such Loss Event to the Issuer and the Trustee, generally describing the nature and extent thereof. *(Section 6.1)*

### **Loss Proceeds.**

The Issuer, the Trustee and the Institution shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration or adjustment of any claim or demand on account of any Loss Event, and the settlement, compromise, arbitration or adjustment of any such claim or demand shall, as between the Issuer and the Institution, be subject to the written approval of the Institution and the Trustee (such approvals not to be unreasonably withheld).

The Net Proceeds with respect to the Facility shall be paid to the Trustee and deposited in the Renewal Fund (except as provided in Section 3.11 of the Mortgage). Pending the disbursement or transfer thereof, the Net Proceeds in the Renewal Fund shall be applied, and may be invested, as provided in the Indenture. The Institution shall be entitled to the Net Proceeds of any insurance proceeds or condemnation award, compensation or damages attributable to the Institution’s Property. *(Section 6.2)*

### **Pledge and Assignment to Trustee.**

As security for the payment of the Bonds and the obligations of the Institution under the Security Documents, (i) the Institution shall, pursuant to the Mortgage, grant to the Issuer and the Trustee a mortgage lien on and security interest in its fee interest in the Facility, (ii) the Issuer shall assign its right, title and interest in the Mortgage to the Trustee pursuant to the Assignment of Mortgage, (iii) the Issuer shall pledge and assign to the Trustee pursuant to the Indenture all of the Issuer’s right, title and interest in the Promissory Note and all of the Issuer’s right, title and interest (except for the Issuer’s Reserved Rights) in the Loan Agreement, including all loan payments thereunder and under the Loan Agreement, and (iv) in furtherance of said pledge, the Issuer will unconditionally assign such loan payments to the Trustee for deposit in the Bond Fund in accordance with the Indenture. The Institution consents in the Loan Agreement to the pledge and assignment of the Mortgage, the Loan Agreement and the Promissory Note. *(Section 7.4)*

### **Insurance.**

Except during periods of Construction, the Institution shall obtain and maintain for itself as a primary insured the insurance required by the Loan Agreement. (*Section 8.1*)

### **Indemnity.**

The Institution shall at all times indemnify, defend, protect and hold the Issuer, the Trustee, the Bond Registrar and the Paying Agents, and any director, member, officer, employee, servant, agent (excluding for this purpose the Institution, which is not obligated by the Loan Agreement to indemnify its own employees, Affiliates or affiliated individuals) thereof and persons under the Issuer's control or supervision (collectively, the "**Indemnified Parties**" and each an "**Indemnified Party**") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses, including attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses (collectively, "**Claims**") of any kind for losses, damage, injury and liability (collectively, "**Liability**") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing on the Indemnification Commencement Date, and continuing until the termination of the Loan Agreement, arising upon, about, or in any way connected with the Facility, the Project, or any of the transactions with respect thereto. The Institution releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable to the Institution or its Affiliates for, any Claim or Liability arising from or incurred as a result of action taken or not taken by such Indemnified Party with respect to any of the matters set forth in the Loan Agreement including any Claim or Liability arising from or incurred as a result of the gross negligence or willful misconduct of such Indemnified Party, or at the direction of the Institution with respect to any of such matters above referred to. (*Section 8.2*)

### **Assignment of the Loan Agreement or Lease of Facility.**

The Institution shall not at any time, except as permitted by the Loan Agreement, assign or transfer the Loan Agreement without the prior written consents of the Issuer and the Trustee (which consents may be withheld by the Issuer or the Trustee in their absolute discretion).

Except as provided in the Garage Lease, the Institution shall not at any time lease all or substantially all of the Facility, without the prior written consents of the Issuer and the Trustee (which consents may be withheld by the Issuer or the Trustee in their absolute discretion); nor shall the Institution lease part (*i.e.*, not constituting substantially all) of the Facility without the prior written consents of the Issuer and the Trustee (which consents shall, in such case, not be unreasonably withheld and, in the case of the Issuer, such consent to be requested by the Institution of the Issuer in the form prescribed by the Issuer, and such consent of the Issuer to take into consideration the Issuer's policies as in effect from time to time). (*Section 8.9*)

### **Retention of Title to or of Interest in Facility; Grant of Easements; Release of Portions of Facility.**

The Institution shall not sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of its fee title to or interest in the Facility, including the Improvements, or any part of the Facility or interest therein, except as set forth in the Loan Agreement, without the prior written consents of the Issuer, the Bond Insurer and of the Trustee, and any purported disposition without such consents shall be void.

The Institution may, with the prior written consents of the Issuer, the Bond Insurer and the Trustee (such consents not to be unreasonably withheld or delayed), so long as there exists no Event of Default under the Loan Agreement, grant such rights of way or easements over, across, or under, the Facility Realty, or grant such permits or licenses in respect to the use thereof, free from the lien and security interest of the Mortgage, as shall be necessary or convenient in the opinion of the Institution for the operation or use of the Facility, or

required by any utility company for its utility business, provided that, in each case, such rights of way, easements, permits or licenses shall not adversely affect the use or operation of the Facility as the Approved Facility, and provided, further, that any consideration received by the Institution from the granting of said rights-of-way, easements, permits or licenses shall be paid to the Trustee and deposited in the Redemption Account of the Bond Fund.

So long as there exists no Event of Default under the Loan Agreement, and the Institution delivers to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the following action will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes, the Institution may from time to time request in writing to the Issuer and the Trustee the release of and removal from the property comprising the Facility under the Loan Agreement and the lien and security interest of the Mortgage, of any unimproved part of the Land (on which none of the Improvements, including the buildings, structures, major appurtenances, fixtures or other property comprising the Facility Realty, is situated); provided that such release and removal will not adversely affect the use or operation of the Facility as the Approved Facility.

In addition to the foregoing, the Institution may release from the Loan Agreement and the Mortgage a certain specified parcel of Land described in the Loan Agreement without complying with the provisions set forth above, provided that: (a) the Institution provides the Issuer, the Trustee and Bond Insurer with a survey and legal description of the portion of Land being released, (b) no portion of the Improvements or access or egress thereto shall be located on the Land being released, nor was any portion of the released parcel used for parking, (c) the Issuer and the Institution amend the descriptions of the Land set forth in the Loan Agreement and the Mortgage to reflect the release of said portion of Land, and (d) the Institution provides the Agency, Trustee and Bond Insurer with a title report showing there are no unpermitted encumbrances on the portion of the Land remaining subject to the Loan Agreement and the Mortgage and confirming and insuring that the remainder subject to the Loan Agreement is a separate and distinct tax lot insuring continued validity, priority and enforceability of the Mortgage on retained Land, and insuring continued zoning and compliance including set-back, height and bulk, and street access; provided however, no such release shall be effected if (w) such release would change the nature of the Facility as a "project" within the meaning of the Act, (x) such release would impair the ingress to or egress from the Facility and no portion of the released property is used in the operation or maintenance of the Facility or (z) there shall exist and be continuing an Event of Default under the Loan Agreement. *(Section 8.10)*

#### **Discharge of Liens.**

If any lien, encumbrance or charge is filed or asserted (including any lien for the performance of any labor or services or the furnishing of materials), or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "Liens"), whether or not valid, is made against the Trust Estate, the Facility or any part thereof or the interest therein of the Institution or against any of the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents, or the interest of the Issuer or the Institution in any Security Document, other than Liens for Impositions not yet payable, Permitted Encumbrances, or Liens being contested as permitted by the Loan Agreement, the Institution forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Issuer and the Trustee and take all action (including the payment of money and/or the securing of a bond with respect to any such Lien) at its own cost and expense as may be necessary or appropriate to obtain the discharge in full of such Lien and to remove or nullify the basis therefor. *(Section 8.11)*



**No Further Encumbrances Permitted.**

The Institution shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against (i) the Facility or any part thereof, or the interest of the Institution in the Facility, except for Permitted Encumbrances, or (ii) the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents or the interest of the Issuer or the Institution in any Security Document. The Institution covenants that it shall take or cause to be taken all action, including all filing and recording, as may be necessary to ensure that there are no mortgage liens on, or security interests in, the Facility (other than Permitted Encumbrances) prior to the mortgage liens thereon, and security interests therein, granted by the Mortgage. *(Section 8.13)*

**Taxes, Assessments and Charges.**

The Institution shall pay when the same shall become due all taxes and assessments, general and specific, if any, levied and assessed upon or against the Trust Estate, the Facility Realty or any part thereof, or interest of the Institution in the Facility, or against any of the loan payments or other payments or other amounts payable under the Loan Agreement, the Promissory Note or any of the other Security Documents, or the interest of the Issuer or the Institution in any Security Document, and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility Realty, all of which are herein called "Impositions". The Institution may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance. *(Section 8.17)*

**Compliance with Legal Requirements.**

The Institution shall not occupy, use or operate the Facility, or allow the Facility or any part thereof to be occupied, used or operated, for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or for any use which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto.

At its sole cost and expense, the Institution shall promptly observe and comply with all applicable Legal Requirements, whether foreseen or unforeseen, ordinary or extraordinary, that shall now or at any time hereafter be binding upon or applicable to the Institution, the Facility, any occupant, user or operator of the Facility or any portion thereof, and will observe and comply with all conditions, requirements, and schedules necessary to preserve and extend all rights, licenses, permits (including zoning variances, special exception and non conforming uses), privileges, franchises and concessions. The Institution will not, without the prior written consent of the Issuer and the Trustee (which consents shall not be unreasonably withheld or delayed), initiate, join in or consent to any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Facility or any part thereof. *(Section 8.18)*

**Operation as Approved Facility.**

The Institution will not take any action, or suffer or permit any action, if such action would cause the Facility not to be the Approved Facility.

The Institution will not fail to take any action, or suffer or permit the failure to take any action, if such failure would cause the Facility not to be the Approved Facility.

The Institution will permit the Trustee and its duly authorized agents, at all reasonable times upon written notice to enter upon the Facility and to examine and inspect the Facility and exercise its rights under the Loan Agreement, under the Indenture and under the other Security Documents with respect to the Facility.

The Institution will further permit the Issuer, or its duly authorized agent, upon reasonable notice, at all reasonable times, to enter the Facility, but solely for the purpose of assuring that the Institution is operating the Facility, or is causing the Facility to be operated, as the Approved Facility consistent with the Approved Project Operations and with the corporate purposes of the Issuer. (*Section 8.19*)

### **Preservation of Exempt Status.**

The Institution agrees that (i) it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facility, or permit the Facility to be used in or for any trade or business, which shall adversely affect the basis for its exemption under Section 501 of the Code; (ii) it shall not use more than three percent (3%) of the proceeds of the Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Section 501(c)(3) organizations; (iii) it shall not directly or indirectly use the proceeds of the Bonds to make or finance loans to Persons other than governmental units or Section 501(c)(3) organizations; (iv) it shall not take any action or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the Closing Date, would cause the Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Issuer on the Bonds to be subject to Federal income tax in the hands of the Holders thereof; and (v) it shall use its best efforts to maintain the tax-exempt status of the Bonds. (*Section 8.21*)

### **Events of Default.**

Any one or more of the following events shall constitute an “Event of Default” under the Loan Agreement:

(a) Failure of the Institution to pay any loan payment that has become due and payable by the terms of the Loan Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Institution to pay any amount (except as set forth in (a) above) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under certain provision of the Loan Agreement and continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Institution specifying the nature of such failure by the Issuer or the Trustee or the Holders of more than twenty-five per cent (25%) in aggregate principal amount of the Bonds Outstanding;

(c) Failure of the Institution to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in (a) or (b) above) and (i) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Institution specifying the nature of same by the Issuer or the Trustee or the Holders of more than twenty-five per cent (25%) in aggregate principal amount of the Bonds Outstanding, or (ii) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Institution fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice;

(d) The Institution shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner or acquiesce in writing to, any petition filed

against itself in an involuntary case under the Federal Bankruptcy Code, (vii) take any action for the purpose of effecting any of the foregoing, or (viii) be adjudicated a bankrupt or insolvent by any court;

(e) A proceeding or case shall be commenced, without the application or consent of the Institution, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Institution or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of ninety (90) days; or any order for relief against the Institution shall be entered in an involuntary case under such Bankruptcy Code; the terms “dissolution” or “liquidation” of the Institution as used above shall not be construed to prohibit any action otherwise permitted by the Loan Agreement;

(f) Any representation or warranty made by the Institution (i) in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Bonds for approval of the Project or its financing, or (ii) in the Loan Agreement or in any other Security Document, or (iii) in the Letter of Representation and Indemnity Agreement dated the Closing Date and delivered to the Issuer, the Trustee and the initial purchaser(s) of the Initial Bonds, or (iv) in the Tax Certificate, or (v) by or on behalf of the Institution or any other Person in any Required Disclosure Statement, or (vi) in any report, certificate, financial statement or other instrument furnished pursuant hereto or any of the foregoing, shall in any case prove to be false, misleading or incorrect in any material respect as of the date made;

(g) The commencement of proceedings to appoint a receiver or to foreclose any mortgage lien on or security interest in the Facility including the Mortgage; or

(h) An “Event of Default” under the Indenture or under any other Security Document shall occur and be continuing; or

(i) If any Required Disclosure Statement delivered to the Issuer under any Security Document is not acceptable to the Issuer acting in its sole discretion. (*Section 9.1*)

### **Remedies on Default.**

(a) Whenever any Event of Default under the Loan Agreement shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may, take any one or more of the following remedial steps:

(i) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of loan payments payable under the Loan Agreement until the Bonds are no longer Outstanding to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under (d) or (e) above, all principal installments of loan payments payable under the Loan Agreement until the Bonds are no longer Outstanding, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(ii) The Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the loan payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Institution under the Loan Agreement; and

(iii) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder.

(b) Upon the occurrence of a default with respect to any of the Issuer's Reserved Rights, the Issuer, without the consent of the Trustee or any other Person, may proceed to enforce the Issuer's Reserved Rights by

(i) bringing an action for damages, injunction or specific performance, and/or

(ii) taking whatever action at law or in equity as may appear necessary or desirable to collect payment of amounts due by the Institution under the Issuer's Reserved Rights or to enforce the performance or observance of any obligations, covenants or agreements of the Institution under the Issuer's Reserved Rights.

(c) No action taken pursuant the Loan Agreement or by operation of law or otherwise shall, except as expressly provided in the Loan Agreement, relieve the Institution from the Institution's obligations under the Loan Agreement, all of which shall survive any such action. *(Section 9.2)*

### **Bankruptcy Proceedings.**

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Institution under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee (other than the Trustee under the Indenture) shall have been appointed for the property of the Institution or in the case of any other similar judicial proceedings relative to the Institution or the creditors or property of the Institution, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and the Promissory Note, irrespective of whether the principal of the Bonds (and the loan payments payable pursuant to the Promissory Note and the Loan Agreement) shall have been accelerated by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand for payment under the Loan Agreement or thereunder, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Institution, the creditors or property of the Institution, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution. *(Section 9.3)*

### **Remedies Cumulative.**

The rights and remedies of the Issuer or the Trustee under the Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under the Loan Agreement. Failure by the Issuer or the Trustee to insist upon the strict performance of any of the covenants and agreements set forth in the Loan Agreement or to exercise any rights or remedies upon default by the Institution under the Loan Agreement shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy the strict compliance by the Institution with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies, if such default by the Institution be continued or repeated. *(Section 9.4)*

### **No Additional Waiver Implied by One Waiver.**

In the event any covenant or agreement contained in the Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Issuer and/or the Trustee and the Institution or any delay or omission on the part of the Issuer and/or the Trustee in exercising any rights under the Loan Agreement or under the Indenture or under any other Security Document shall operate as a waiver. *(Section 9.5)*

### **Agreement to Pay Fees and Expenses of Attorneys and Other Consultants.**

In the event the Institution should default under any of the provisions of the Loan Agreement, and the Issuer or the Trustee should employ outside attorneys or other consultants or incur other expenses for the collection of loan payments or other amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Institution contained in the Loan Agreement or contained in any other Security Document, the Institution agrees that it will on demand therefor pay to the Issuer or the Trustee, as the case may be, the reasonable fees and disbursements of such attorneys or other consultants and such other expenses so incurred. *(Section 9.7)*

### **Termination of the Loan Agreement.**

The Institution shall have the option to terminate the Loan Agreement by causing the redemption or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture.

After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with Article X of the Indenture, but not later than the receipt by the Institution of ten (10) days prior written notice from the Issuer directing termination of the Loan Agreement, the Institution shall terminate the Loan Agreement by giving the Issuer notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to (x) the delivery of those documents required by the Loan Agreement, and (y) the survival of those obligations of the Institution as set forth in the Loan Agreement.

The Institution shall not, at any time, assign or transfer its option to terminate the Loan Agreement separate and apart from a permitted assignment of the Loan Agreement, without the prior written consents of the Issuer and the Trustee. *(Section 10.1)*

### **Issuance of Additional Bonds.**

If a Series of Additional Bonds are to be issued pursuant to the Indenture, the Issuer and the Institution shall enter into an amendment to the Loan Agreement, and the Institution shall execute and deliver a new Promissory Note, in each case providing, among other things, for the payment by the Institution of such additional loan payments as are necessary in order to amortize in full the principal of and interest on such Series of Additional Bonds and any other costs in connection therewith.

Any such completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions or improvements shall become a part of the Facility and shall be included under the Loan Agreement to the same extent as if originally included under the Loan Agreement. *(Section 11.1)*

### **Determination of Taxability.**

If any Holder of Bonds receives from the Internal Revenue Service a notice of assessment and demand for payment with respect to interest on any Bond, an appeal may be taken by such Holder at the option of either such Holder or the Institution. If such appeal is taken at the option of the Institution (exercised in

accordance with the procedures set forth in the definition of “Determination of Taxability”), all expenses of the appeal including reasonable counsel fees shall be paid by the Institution, and the Institution shall control the procedures and terms relating to such appeal, and such Holder and the Institution shall cooperate and consult with each other in all matters pertaining to any such appeal which the Institution has elected to take, except that no Holder of Bonds shall be required to disclose or furnish any non-publicly disclosed information, including without limitation, financial information and tax returns. Before the taking of any appeal which the Institution has elected to take, however, the Bondholder shall have the right to require the Institution to pay the tax assessed and conduct the appeal as a contest for reimbursement.

Not later than one hundred twenty (120) days following a Determination of Taxability, the Institution shall pay to the Trustee an amount sufficient, when added to the amounts then in the Bond Fund and available for such purpose, to retire and redeem all Bonds then Outstanding, in accordance with the Indenture. The Bonds shall be redeemed in whole unless redemption of a portion of the Bonds Outstanding would have the result that interest payable on the Bonds remaining Outstanding after such redemption would not be includable in the gross income of any Holder of a Bond. In such event, the Bonds shall be redeemed in such amount as is deemed necessary in the opinion of Nationally Recognized Bond Counsel to accomplish that result.

The obligation of the Institution to make the payments provided for under this heading shall be absolute and unconditional, and the failure of the Issuer, the Trustee or any other Person to execute or deliver or cause to be delivered any documents or to take any action required under the Loan Agreement or otherwise shall not relieve the Institution of its obligation as described under this heading. *(Section 11.2)*

#### **Mandatory Redemption of Bonds as Directed by the Issuer.**

Upon the determination by the Issuer that (w) the Institution is operating the Facility or any portion thereof, or is allowing the Facility or any portion thereof to be operated, not for the Approved Project Operations in accordance with the Loan Agreement and the failure of the Institution within thirty (30) days of the receipt by the Institution of written notice of such noncompliance from the Issuer to cure such noncompliance together with a copy of such resolution (a copy of which notice shall be sent to the Trustee), (x) the Institution, any Principal of the Institution or any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Institution has committed a material violation of a material Legal Requirement and the failure of the Institution within thirty (30) days of the receipt by the Institution of written notice of such determination from the Issuer to cure such material violation (which cure, in the case of a Principal who shall have committed the material violation of a material Legal Requirement, may be effected by the removal of such Principal), (y) as set forth in the Loan Agreement, any Conduct Representation is false, misleading or incorrect in any material respect at any date, as if made on such date, or (z) a Required Disclosure Statement delivered to the Issuer under any Project Document is not acceptable to the Issuer acting in its sole discretion, the Institution covenants and agrees that it shall, no later than ten (10) days following the termination of such thirty (30) day period, pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds together with interest accrued thereon to the redemption date. The Issuer shall give prior written notice of the meeting at which the Board of Directors of the Issuer are to consider such resolution to the Institution and the Trustee, which notice shall be no less than fifteen (15) days prior to such meeting.

In the event the Institution fails to obtain or maintain the public liability insurance with respect to the Facility required under the Loan Agreement, and the Institution shall fail to cure such circumstance within ten (10) days of the receipt by the Institution of written notice of such noncompliance from the Issuer and a demand by the Issuer on the Institution to cure such noncompliance, upon notice or waiver of notice as provided in the Indenture, the Institution shall pay to the Trustee advance loan payments in immediately available funds in an amount sufficient to redeem the Bonds Outstanding in whole at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Bonds, together with interest accrued thereon to the date of redemption. *(Section 11.3)*

### **Option to Purchase or Invite Tenders of Bonds.**

The Institution shall have the option, at any time during the term of the Loan Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. The Bonds so purchased by the Institution or by any Affiliate of the Institution shall be delivered to the Trustee for cancellation within fifteen (15) days of the date of purchase unless the Institution shall deliver to the Trustee and the Issuer an opinion of Nationally Recognized Bond Counsel to the effect that the failure to surrender such Bonds by such date will not affect the exclusion of the interest on any Bonds then Outstanding from gross income for federal income tax purposes. *(Section 11.6)*

### **Investment of Funds.**

Any moneys held as part of the Rebate Fund, the Earnings Fund, the Project Fund, the Bond Fund, or the Renewal Fund or in any special fund provided for in the Loan Agreement or in the Indenture to be invested in the same manner as in any said Fund shall, at the written request of an Authorized Representative of the Institution, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Tax Certificate). Neither the Issuer nor the Trustee nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments or for any loss arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged. *(Section 11.7)*

### **Amendments.**

The Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture and only by a written instrument executed by the parties thereto. *(Section 12.3)*

### **Recourse Under The Loan Agreement.**

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Loan Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer, and not of any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer in such person's individual capacity, and no recourse shall be had for any reason whatsoever under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Loan Agreement on behalf of the Issuer. No recourse shall be had for the payment of the principal of, redemption premium, if any, Sinking Fund Installments for, Purchase Price or interest on the Bonds or for any claim based thereon or under the Loan Agreement against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. In addition, in the performance of the agreements of the Issuer contained in the Loan Agreement, any obligation the Issuer may incur for the payment of money shall not subject the Issuer to any pecuniary or other liability or create a debt of the State or the City, and neither the State nor the City shall be liable on any obligation so incurred and any such obligation shall be payable solely out of amounts payable to the Issuer by the Institution under the Loan Agreement and under the Promissory Note. *(Section 12.14)*

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## APPENDIX F—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

*The following is a summary of certain provisions of the Indenture of Trust. This summary does not purport to be complete and reference is made to the Indenture of Trust for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Indenture of Trust and are included for ease of reference only.*

### **Pledge Effected by the Indenture.**

The proceeds of the Series 2012 Bonds deposited in the Project Fund and certain of the loan payments, receipts and revenues derived from or in connection with the Facility, including moneys which are required to be set apart, transferred and pledged to the Earnings Fund, to the Bond Fund, to the Renewal Fund or to certain special funds, including the investments, if any, thereof (subject to disbursements from such Funds in accordance with the provisions of the Indenture) are pledged by the Indenture for the payment of the principal or Redemption Price, if any, of, Sinking Installments for, and interest on, the Series 2012 Bonds. All such Funds shall be held by the Trustee in trust for the benefit of the Bondholders, and while held by the Trustee constitute part of the Trust Estate and be subject to the lien hereof. The Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person. The Series 2012 Bonds shall be the special limited revenue obligations of the Issuer and shall be payable by the Issuer as to the principal or Redemption Price, if any, of the Series 2012 Bonds, Sinking Fund Installments for the Series 2012 Bonds, and interest on the Series 2012 Bonds only from the Funds, special funds and loan payments, revenues and receipts pledged therefor. The Series 2012 Bonds are additionally secured by a pledge and assignment of the Promissory Note and substantially all of the Issuer's right, title and interest in and to the Loan Agreement. Further, the Institution has granted a lien and security interest in the Pledged Collateral to the Trustee pursuant to the Pledge and Security Agreement. In addition, the Institution has granted mortgage liens on and security interests in its fee interest in the Facility to the Issuer and the Trustee pursuant to the Mortgage, and the Issuer has assigned its right, title and interest in the Mortgage to the Trustee pursuant to the Assignment of Mortgage. *(Section 1.01(b))*

### **Additional Bonds.**

So long as the Promissory Note, the Loan Agreement and the other Security Documents are each in effect, and the prior written consent of the Bond Insurer and the Holders of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Series 2012 Bonds shall have been obtained, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project, (ii) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions or improvements to the Facility, the purpose of which shall be for the Approved Project Operations, or (iv) refunding Outstanding Bonds. Such Additional Bonds shall be payable from the loan payments, receipts and revenues of the Facility including such extensions, additions and improvements thereto. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Issuer and the Institution shall enter into an amendment to the Loan Agreement, and the Institution shall execute a new Promissory Note, which shall provide, among other things, that the loan payments payable by the Institution under the Loan Agreement and the aggregate amount to be paid under all Promissory Notes shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. In addition, the Institution and the Issuer shall enter into an amendment to each Security Document with the Trustee which shall provide that the amounts guaranteed or otherwise secured thereunder be increased accordingly. *(Section 2.07(a))*

Upon the request of the Institution, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund ("Refunding Bonds") all Outstanding Bonds or

any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. *(Section 2.07(c))*

Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Initial Bonds and all other Series of Additional Bonds, if any, issued pursuant to the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture. *(Section 2.07(d))*

No Series of Additional Bonds shall be issued unless the Promissory Note, the Loan Agreement, the Mortgage and the other Security Documents are in effect and, at the time of issuance, there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. *(Section 2.07(e))*

**Creation of Funds and Accounts.**

The Indenture establishes the following special trust Funds and Accounts comprising such Funds:

- (1) Project Fund
- (2) Bond Fund
  - (a) Principal Account
  - (b) Interest Account
  - (c) Redemption Account
  - (d) Sinking Fund Installment Account
  - (e) Policy Payments Account
- (3) Renewal Fund
- (4) Earnings Fund
- (5) Rebate Fund

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate (subject to the granting clauses of the Indenture), other than the Rebate Fund, and be subject to the lien hereof. *(Section 5.01)*

**Project Fund.**

There shall be deposited in the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or the Loan Agreement.

The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Institution or the Issuer, of Project Costs

(including interest on the Series 2012 Bonds during the period of Project construction and renovation) to the extent requisitioned as described in the Indenture.

In the event the Institution shall be required to or shall elect to cause the Series 2012 Bonds to be redeemed in whole pursuant to the Loan Agreement, the balance in the Project Fund, in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund pursuant to the Tax Certificate and the Indenture) shall be deposited in the Redemption Account of the Bond Fund. In the event the unpaid principal amount of the Series 2012 Bonds shall be accelerated upon the occurrence of an Event of Default under the Indenture, the balance in the Project Fund, in the Earnings Fund (in excess of any amount the Trustee is directed to transfer to the Rebate Fund) shall be deposited in the Bond Fund as provided in the Indenture.

Except as provided in the Indenture, all earnings on amounts held in the Project Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Project Fund. (*Section 5.02*)

**Payments into Renewal Fund; Application of Renewal Fund.**

The Net Proceeds resulting from any Loss Event with respect to the Facility, together with any other amounts so required to be deposited therein under the Loan Agreement or the Mortgage, shall be deposited in the Renewal Fund (except as otherwise provided in the Mortgage).

In the event the Series 2012 Bonds shall be subject to redemption in whole (either by reason of such Loss Event or otherwise) pursuant to the terms thereof or the Indenture, and the Institution shall have so directed the Trustee in writing within ninety (90) days of the occurrence of such Loss Event, the Trustee shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, transfer the amounts deposited in the Renewal Fund to the Redemption Account of the Bond Fund.

If, on the other hand,

the Series 2012 Bonds shall not be subject to optional redemption in whole (whether by reason of such Loss Event or otherwise), or

the Series 2012 Bonds shall be subject to optional redemption in whole (whether by reason of such Loss Event or otherwise) and the Institution shall have failed to take action to effect such redemption, or

the Institution shall have notified the Trustee of its intent to rebuild, replace, repair and restore the Facility,

the Trustee shall apply the amounts on deposit in the Renewal Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, to such rebuilding, replacement, repair and restoration.

If an Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund, the Trustee shall promptly request the written direction of the Majority Holders and shall thereupon apply such Net Proceeds, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, to the rebuilding, replacement, repair and restoration of the Facility, or for deposit in the Redemption Account of the Bond Fund, as directed by the Majority Holders (or if no such direction shall be received within ninety (90) days after request therefor by the Trustee shall have been made, for deposit in the Redemption Account of the Bond Fund).

The Trustee is authorized by the Indenture to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the Institution or the Issuer) of the costs required for the rebuilding, replacement, repair and restoration of the Facility upon written instructions from the Institution.

The date of completion of the restoration of the Facility shall be evidenced to the Issuer and the Trustee by a certificate of an Authorized Representative of the Institution stating (i) the date of such completion, (ii) that all labor, services, machinery, equipment, materials and supplies used therefor and all costs and expenses in connection therewith have been paid for or arrangement for payment, reasonably satisfactory to the Trustee, has been made, (iii) that the Facility has been rebuilt, replaced, repaired or restored to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, (iv) that all property constituting part of the Facility is subject to the terms of the Loan Agreement, and the mortgage liens and security interests of the Mortgage subject to Permitted Encumbrances, (v) the Rebate Amount applicable with respect to the Net Proceeds and the earnings thereon (with a statement as to the determination of the Rebate Amount and a direction to the Trustee of any required transfer to the Rebate Fund), and (vi) that the restored Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate shall state (x) that it is given without prejudice to any rights of the Institution against third parties which exist at the date of such certificate or which may subsequently come into being, (y) that it is given only for the purposes of the Indenture and Section 6.4 of the Loan Agreement, and (z) that no Person other than the Issuer or the Trustee may benefit therefrom. Such certificate shall be accompanied by (i) a certificate of occupancy (either temporary or permanent, provided that if is a temporary certificate of occupancy, the Institution will proceed with due diligence to obtain a permanent certificate of occupancy), if required, and any and all permissions, licenses or consents required of governmental authorities for the occupancy, operation and use of the Facility for the purposes contemplated by the Loan Agreement; (ii) a certificate of an Authorized Representative of the Institution that all costs of rebuilding, repair, restoration and reconstruction of the Facility have been paid in full, together with releases of mechanics' liens by all contractors and materialmen who supplied work, labor, services, materials or supplies in connection with the rebuilding, repair, restoration and reconstruction of the Facility (or, to the extent that any such costs shall be the subject of a bona fide dispute, evidence to the Trustee that such costs have been appropriately bonded or that the Institution shall have posted a surety or security at least equal to the amount of such costs); and (iii) a search prepared by a title company, or other evidence satisfactory to the Trustee, indicating that there has not been filed with respect to the Facility any mechanic's, materialmen's or any other lien in connection with the rebuilding, replacement, repair and restoration of the Facility and that there exist no encumbrances other than those encumbrances consented to by the Issuer and the Trustee.

All earnings on amounts on deposit in the Renewal Fund shall be transferred by the Trustee and deposited in the Earnings Fund. Any transfers by the Trustee of amounts to the Rebate Fund shall first be drawn by the Trustee from the Earnings Fund prior to drawing any amounts from the Renewal Fund.

Any surplus remaining in the Renewal Fund after the completion of the rebuilding, replacement, repair and restoration of the Facility shall, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, be transferred by the Trustee to the Redemption Account of the Bond Fund. *(Section 5.03)*

#### **Payments into Bond Fund.**

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) The interest accruing on any Series of Bonds from the date of original issuance thereof to the date of delivery, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on such Series of Bonds.

(b) Amounts disbursed from the Project Fund for the payment of interest on the Series 2012 Bonds during the period of Project Work, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on the Series 2012 Bonds;

(c) Excess or remaining amounts in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Tax Certificate and the Indenture) (i) in the Redemption Account of the Bond Fund pursuant to the Indenture, which shall be kept segregated from any other moneys within such Account, or (ii) in the Bond Fund pursuant to the Indenture.

(d) Loan payments received by the Trustee pursuant to Section 4.3(a)(i), (ii), (iii), (iv) or (v), or Section 4.3(i), of the Loan Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Bond Fund.

(e) Advance loan payments received by the Trustee pursuant to Section 4.3(c) of the Loan Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund.

(f) Any amounts transferred from the Earnings Fund pursuant to the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund.

(g) The excess amounts referred to in the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund.

(h) Any amounts transferred from the Redemption Account pursuant to the Indenture, which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to such purposes.

(i) Amounts in the Renewal Fund required by Indenture or by the Mortgage to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Tax Certificate and the Indenture) to the Redemption Account of the Bond Fund pursuant to Indenture.

(j) All other receipts when and if required by the Loan Agreement or by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in the Indenture) to the Redemption Account of the Bond Fund. (*Section 5.04*)

#### **Application of Bond Fund Moneys.**

The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Series 2012 Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of Bonds.

The Trustee shall on each principal payment date on the Series 2012 Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Series 2012 Bonds (other than such as shall be due by mandatory Sinking Fund Installment redemption), upon the presentation and surrender of the requisite Bonds.

There shall be paid from the Sinking Fund Installment Account of the Bond Fund to the Paying Agents on each Sinking Fund Installment payment date in immediately available funds the amounts required for the Sinking Fund Installment due and payable with respect to Bonds which are to be redeemed from

Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Bond Fund.

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the Institution, as promptly as practicable, to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which the Series 2012 Bonds are next subject to optional redemption, plus accrued interest to the date of redemption. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Series 2012 Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the provisions of the Indenture relating to defeasance) shall be transferred to the Interest Account. Upon the purchase of any Bonds out of advance loan payments as provided in this subsection, or upon the redemption of any Bonds, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future Sinking Fund Installments for such Bonds in chronological order of the due dates of such Sinking Fund Installments until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Series 2012 Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Series 2012 Bonds being redeemed plus interest on such Bonds accrued to the redemption date.

In connection with purchases of Bonds out of the Bond Fund as provided in the Indenture, the Institution shall arrange and the Trustee shall execute such purchases (through brokers or otherwise, and with or without receiving tenders) at the written direction of the Institution. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Bond Fund.

The Issuer shall receive a credit in respect of Sinking Fund Installments for any Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Issuer or the Institution to the Trustee on or before the forty-fifth (45th) day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the Sinking Fund Installment Account) and cancelled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Bond so delivered, cancelled or previously purchased or redeemed shall be credited by the Trustee at one hundred per cent (100%) of the principal amount thereof against the obligation of the Issuer on such Sinking Fund Installment payment date with respect to Bonds of such Series and maturity and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited on future Sinking Fund Installments in direct chronological order, and the principal amount of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account, to the Principal Account or to the Sinking Fund Installment Account of the Bond Fund. (*Section 5.05*)

**Payments into Earnings Fund; Application of Earnings Fund.**

All investment income or earnings on amounts held in the Project Fund, the Renewal Fund or any other special fund (other than the Rebate Fund or the Bond Fund) shall be deposited upon receipt by the Trustee into the Earnings Fund. The Trustee shall keep separate accounts of all amounts deposited in the Earnings Fund and by journal entry indicate the Fund source of the income or earnings.

On the first Business Day following each Computation Period (as defined in the Tax Certificate), the Trustee shall withdraw from the Earnings Fund and deposit to the Rebate Fund an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the Computation Period. In the event of any deficiency, the balance required shall be provided by the Institution pursuant to the Tax Certificate. Computations of the amounts on deposit in each Fund and of the Rebate Amount shall be furnished to the Trustee by the Institution in accordance with the Tax Certificate.

The foregoing notwithstanding, the Trustee shall not be required to transfer amounts from the Earnings Fund to the Rebate Fund (and shall instead apply such amounts in the Earnings Fund as provided in the immediately following sentence), if the Institution shall deliver to the Trustee a certificate of an Authorized Representative of the Institution to the effect that (x) the applicable requirements of a spending exception to rebate has been satisfied as of the relevant semiannual period as set forth in the Tax Certificate, (y) the proceeds of the Series 2012 Bonds have been invested in obligations the interest on which is not included in gross income for Federal income tax purposes under Section 103 of the Code or (z) the proceeds of the Series 2012 Bonds have been invested in obligations the Yield on which (calculated as set forth in the Tax Certificate) does not exceed the Yield on such Bonds (calculated as set forth in the Tax Certificate). Any amounts on deposit in the Earnings Fund following the transfers to the Rebate Fund required by the Indenture shall be deposited in the Interest Account of the Bond Fund. *(Section 5.06)*

**Payments into Rebate Fund; Application of Rebate Fund.**

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder or any other Person.

The Trustee, upon the receipt of a certification of the Rebate Amount (as defined in the Tax Certificate) from an Authorized Representative of the Institution, shall deposit in the Rebate Fund within sixty (60) days following each Computation Date (as defined in the Tax Certificate), an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such Computation Date. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the restoration of the Facility pursuant to the Indenture, at any time during a Bond Year, the Trustee shall deposit in the Rebate Fund at that time an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project or the restoration of the Facility as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund. If the amount on deposit in the Rebate Fund following such deposit is less than the Rebate Amount, the Trustee shall promptly deliver a notice stating the amount of such deficiency to the Institution. It is provided in the Loan Agreement that promptly upon receipt of such notice, the Institution shall deliver the amount necessary to make up such deficiency to the Trustee for deposit in the Rebate Fund.

If within sixty (60) days following any Computation Date, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall withdraw such excess amount and deposit it in the Interest Account of the Bond Fund.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once

each five (5) years after the Closing Date, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Initial Bonds as of the date of such payment and (ii) notwithstanding the provisions of the defeasance provisions of the Indenture, not later than thirty (30) days after the date on which all Initial Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment. *(Section 5.07)*

#### **Investment of Funds and Accounts.**

Amounts in any Fund or Account established under the Indenture may, if and to the extent then permitted by law, be invested only in Qualified Investments provided that any Qualified Investment shall not have a maturity date greater than five (5) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the owner thereof. *(Section 5.09)*

#### **Non-presentment of Bonds.**

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, and funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, together with interest to the date on which principal is due, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to pay such funds to the Person entitled thereto or if the Person is not known to the Trustee, to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Such amounts so held shall, pending payment to the Holder of such Bond, (y) be subject to any rebate requirement as set forth in the Tax Certificate or the Indenture, and (z) shall be uninvested, or, if invested, invested or re-invested only in Government Obligations maturing within thirty (30) days. Funds remaining with the Trustee as above and unclaimed for the earlier of two (2) years or one month less than the applicable statutory escheat period shall be paid to the Institution. After the payment of such unclaimed moneys to the Institution, the Holder of such Bond shall thereafter look only to the Institution for the payment thereof, and all obligations of the Trustee or such Paying Agent with respect to such moneys shall thereupon cease. *(Section 5.12)*

#### **Creation of Liens; Indebtedness.**

It is the intention of the Issuer and the Trustee that the Mortgage is and will continue to be a mortgage lien upon the Facility (subject only to Permitted Encumbrances). The Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture and the other Security Documents. *(Section 7.05)*

#### **Issuer Tax Covenant.**

The Issuer covenants in the Indenture that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Institution or the Trustee, that would cause the interest on the Series 2012 Bonds to become includable in gross income for Federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance. *(Section 7.08)*



### **Events of Default; Acceleration of Due Date.**

Each of the following events is an “Event of Default” under the Indenture:

- (1) Failure in the payment of the interest on any Bond when the same shall become due and payable;
- (2) Failure in the payment of the principal or redemption premium, if any, of, or Sinking Fund Installment for, any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;
- (3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Series 2012 Bonds or under the Indenture on its part to be performed (except as set forth in (1) or (2) above) and (A) continuance of such failure for more than thirty (30) days after written notice of such failure has been given to the Issuer and the Institution specifying the nature of same from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds Outstanding, or (B) if by reason of the nature of such failure the same can be remedied, but not within the said thirty (30) days, the Issuer or the Institution fails to commence and thereafter proceed with reasonable diligence after receipt of said notice to cure such failure or fails to continue with reasonable diligence its efforts to cure such failure or fails to cure such failure within sixty (60) days of delivery of said notice; or
- (4) The occurrence of an “Event of Default” under the Loan Agreement or any other Security Document.

Upon the happening and continuance of any Event of Default, unless the principal of all the Series 2012 Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Issuer and the Institution) or the Holders of over twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds Outstanding (by notice in writing to the Issuer, the Institution, the Trustee and the Bond Insurer), in either case, with the consent of the Bond Insurer, may declare the principal or Redemption Price, if any, of all the Series 2012 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Series 2012 Bonds contained to the contrary notwithstanding.

If there shall occur an Event of Default under Section 9.1(d) or (e) of the Loan Agreement, the unpaid principal of all the Series 2012 Bonds (and all principal installments of loan payments under the Loan Agreement) and the interest accrued thereon shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person.

The right of the Trustee or of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Series 2012 Bonds which shall have matured by their terms and the unpaid Redemption Price of the Series 2012 Bonds or principal portions thereof to be redeemed has been paid by or for the account of the Issuer, and all other Events of Default have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Issuer or provision satisfactory to the Trustee shall be made for such payment and the Facility shall not have been sold or otherwise encumbered, and all defaults have been otherwise remedied as provided in the Indenture, then and in every such case any such default and its consequences shall be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. (Section 8.01)

### **Enforcement of Remedies.**

Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Series 2012 Bonds, the Loan Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

In the enforcement of any right or remedy under the Indenture or under any other Security Document, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Series 2012 Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Series 2012 Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Series 2012 Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Series 2012 Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Institution or the Issuer or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Series 2012 Bonds not making such request. (*Section 8.02*)

### **Application of Revenues and Other Moneys After Default.**

All moneys received by the Trustee pursuant to any right given or action taken under the default provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Series 2012 Bonds shall be applied, subject to the Indenture, as follows:

- (A) Unless the principal of all of the Series 2012 Bonds shall have become or have been declared due and payable,

First - To the payment to the Persons entitled thereto of all installments of interest then due on the Series 2012 Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Series 2012 Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(B) If the principal of all the Series 2012 Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Series 2012 Bonds) then due and unpaid upon the Series 2012 Bonds and if applicable to the Redemption Price of the Series 2012 Bonds without preference or priority of principal over interest or of interest over principal, Sinking Fund Installments, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(C) If the principal of all the Series 2012 Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the default provisions of the Indenture then, subject to the provisions of the Indenture which shall be applicable in the event that the principal of all the Series 2012 Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (A) under this heading.

Whenever moneys are to be applied pursuant to the provisions of the default provisions of the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; provided, however, that if the principal or Redemption Price of the Series 2012 Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to the Indenture, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. (*Section 8.03*)

### **Majority Holders Control Proceedings.**

Anything in the Indenture to the contrary notwithstanding, the Majority Holders shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms

and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. *(Section 8.05)*

#### **Individual Bondholder Action Restricted.**

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Series 2012 Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds. *(Section 8.06)*

#### **Notice of Default.**

The Trustee shall promptly mail to the Issuer, to registered Holders of Bonds, the Bond Insurer and to the Institution by first class mail, postage prepaid, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by the Indenture. *(Section 8.10)*

#### **Waivers of Default.**

The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration only upon the written request of the Majority Holders; provided, however, that there shall not be waived without the consent of the Bond Insurer, or if the Bond Insurer is in default on its payment obligations under the Bond Insurance Policy, the Holders of all the Series 2012 Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Series 2012 Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Institution, the Issuer, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. *(Section 8.11)*

#### **Resignation or Removal of Trustee.**

The Trustee may resign and thereby become discharged from the trusts created under the Indenture for any reason by giving written notice by first class mail, postage prepaid, to the Issuer, the Institution, the Bond Insurer and the Holders of all Bonds not less than sixty (60) days before such resignation is to take effect, but

such resignation shall not take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Issuer or the Majority Holders or their attorneys-in-fact duly authorized. Such removal shall become effective either upon the appointment and acceptance of such appointment by a successor Trustee or at the date specified in the instrument of removal. The Trustee shall promptly give notice of such filing to the Issuer and the Institution. No removal shall take effect until the appointment and acceptance thereof of a successor Trustee pursuant to the Indenture. *(Section 9.07)*

### **Successor Trustee.**

If at any time the Trustee shall be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason or if the Trustee shall resign, the Institution shall cooperate with the Issuer and the Issuer shall appoint a successor Trustee and shall use its best efforts to obtain acceptance of such trust by the successor Trustee within sixty (60) days from such vacancy or notice of resignation. Prior to the appointment and acceptance of any successor Trustee, the Issuer shall provide to the Bond Insurer notice of such impending appointment. Within twenty (20) days after such appointment and acceptance, the Issuer shall notify in writing the Institution and the Holders of all Bonds.

In the event of any such vacancy or resignation and if a successor Trustee shall not have been appointed within sixty (60) days of such vacancy or notice of resignation, the Majority Holders, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Issuer, may appoint a successor Trustee which shall, immediately upon its acceptance of such trusts, and without further act, supersede the predecessor Trustee. If no appointment of a successor Trustee shall be made pursuant to the provisions of the Indenture, within ninety (90) days of such vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Issuer or any retiring Trustee or the Institution may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee. *(Section 9.08)*

### **Defeasance.**

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Loan Agreement, and any other amounts required to be rebated to the Federal government pursuant to the Tax Certificate or the Indenture, shall be paid in full, then the pledge of any loan payments, revenues or receipts from or in connection with the Security Documents or the Facility under the Indenture and the estate and rights hereby granted, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Series 2012 Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this subsection. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee shall cancel and discharge the lien of the Indenture and of the Mortgage and execute and deliver to the Institution all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, and (2) the Trustee and the Paying Agents shall pay over or deliver to the Institution or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of the principal or Redemption Price, if applicable, Sinking Fund Installments for, or interest on Bonds not theretofore surrendered for such payment

or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the Federal government under the Tax Certificate or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph under this heading, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, (y) provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee and the Bond Insurer for the payment to the Holders of any such Bonds of the full amount to which they would be entitled by way of principal or Redemption Price, Sinking Fund Installments, and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and (z) provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment on such maturity or redemption date. *(Section 10.01)*

#### **Limitation on Modifications.**

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the Indenture. *(Section 11.01)*

#### **Supplemental Indentures Without Bondholders' Consent.**

The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without the consent of the Bondholders for any of the following purposes:

- (1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien hereof, if such action is not materially adverse to the interests of the Bondholders.
- (2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the properties of the Facility, or revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure that the interest on the Series 2012 Bonds not be includable in gross income for Federal income tax purposes.

(7) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(8) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Series 2012 Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute. *(Section 11.02)*

### **Supplemental Indentures With Bondholders' Consent.**

Subject to the terms and provisions of the Indenture, the Majority Holders shall, with the prior written consent of the Bond Insurer, have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein. Nothing therein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond and the Bond Insurer, (ii) the creation of a lien upon or pledge of the Trust Estate other than the liens or pledge created by the Indenture and the other Security Documents, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) above, the written consent of one hundred percent (100%) of the Holders of the Outstanding Bonds. *(Section 11.03)*

### **Amendments of Related Security Documents Not Requiring Consent of Bondholders.**

The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent (if required) to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; and (vi) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to the Indenture. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not cause the interest on any of the Series 2012 Bonds to cease to be excluded from gross

income for federal income tax purposes under the Code. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Series 2012 Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Bond Insurance Policy. Notwithstanding the foregoing, the Issuer and the Trustee shall not, without the prior written consent of the Bond Insurer, consent to any amendment, change or modification of any provision in any Security Document if such provision expressly grants any rights to the Bond Insurer or if such amendment, change or modification would adversely affect such rights of the Bond Insurer. *(Section 12.02)*

#### **Amendments of Related Security Documents Requiring Consent of Bondholders.**

Except as provided in the Indenture, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without the prior written consent of the Bond Insurer and the mailing of notice and the written approval or consent of the Majority Holders given and procured as set forth in the Indenture; provided, however, there shall be no amendment, change or modification to (i) the obligation of the Institution to make loan payments with respect to the Series 2012 Bonds under the Loan Agreement or the Promissory Note or (ii) the Tax Certificate, without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the Institution shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders. *(Section 12.03)*

#### **No Pecuniary Liability of Issuer or Members; No Debt of the State or the City.**

Every agreement, covenant and obligation of the Issuer under the Indenture is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, and the Series 2012 Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor but shall be a limited revenue obligation of the Issuer payable by the Issuer solely from the loan payments, revenues and receipts pledged to the payment thereof in the manner and to the extent in the Indenture specified and nothing in the Series 2012 Bonds, in the Loan Agreement, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Issuer. The Issuer shall not be required under the Indenture or the Loan Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Series 2012 Bonds, (ii) the loan payments, revenues and receipts and other moneys pledged to the payment of the Series 2012 Bonds, (iii) any income or gains therefrom, and (iv) the Net Proceeds with respect to the Facility. No provision, covenant or agreement contained in the Indenture or in the Series 2012 Bonds or any obligations in the Indenture or therein imposed upon the Issuer or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the Series 2012 Bonds or for any claim based thereon or under the Indenture against any member, director, officer, employee or agent of the Issuer or any natural person executing the Series 2012 Bonds. Neither the Series 2012 Bonds, the interest thereon, the Sinking Fund Installments therefor, nor the Redemption Price thereof shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Series 2012 Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. *(Section 13.07)*



**Priority of Indenture Over Liens.**

The Indenture and the Mortgage are given in order to secure funds to pay for the Project and by reason thereof, it is intended that the Indenture and the Mortgage shall be superior to any laborers', mechanics' or materialmen's liens which may be placed upon the Facility subsequent to the recordation of the Mortgage. In compliance with Section 13 of the Lien Law, the Issuer will receive the advances secured by the Indenture and the Mortgage and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of improvements and that the Issuer will apply the same first to the payment of the costs of improvements before using any part of the total of the same for any other purpose. (*Section 13.08*)

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**APPENDIX G—SPECIMEN BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

## APPENDIX H—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated June 29, 2012, is executed and delivered by Royal Charter Properties, Inc. (the “Borrower”) and The Bank of New York Mellon (the “Bond Trustee”) in connection with the issuance by the Build NYC Resource Corporation (the “Issuer”) of \$24,660,000 aggregate principal amount of its Parking Facility Revenue Bonds (Royal Charter Properties, Inc. – The New York and Presbyterian Hospital Leasehold Project), Series 2012 (the “Bonds”). The Borrower and the Bond Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Borrower and the Bond Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture of Trust, dated as of June 1, 2012 (the “Indenture”), between the Issuer and the Trustee, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the President or any Vice President of the Borrower or his or her designee, or such other officer or employee as the Borrower shall designate in writing to the Bond Trustee from time to time.

“Dissemination Agent” shall mean any dissemination agent (which may be the Bond Trustee) designated in writing by the Borrower and which (if not the Bond Trustee) has filed with the Bond Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access which provides continuing disclosure services for the receipt and public availability of continuing disclosure documents and related information required by the Rule.

“Material Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” means the final Official Statement dated June 27, 2012 relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Quarterly Report” shall mean any Quarterly Report provided by the Borrower pursuant to, and as described in, Sections 3(d) and 4 of this Disclosure Agreement.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

### SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent, if any, to, not later than 180 days after the end of the Borrower’s fiscal year (presently December 31), commencing with the report for the 2012 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be submitted to the Repository’s EMMA system either through a web-based electronic submission interface or through electronic computer-to-computer data connections with EMMA in accordance with the submission process, document format and configuration requirements established by the MSRB. If the Borrower’s fiscal year changes, the Borrower shall give notice of such change in the same manner as for a Material Event under Section 5(d).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Borrower shall provide the Annual Report to the Dissemination Agent, if any, and the Bond Trustee. If by such date, the Bond Trustee has not received a copy of the Annual Report, the Bond Trustee shall contact the Borrower and the Dissemination Agent, if any, to determine if the Borrower is in compliance with the first sentence of this subsection (b).

(c) If the Bond Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a) above, the Bond Trustee shall send a notice to the Repository in substantially the form attached as Exhibit A.

(d) The Borrower shall, or shall cause the Dissemination Agent, if any, to, not later than 60 days after the end of the Borrower’s fiscal quarters ending March 31, June 30 and September 30, commencing with the report for the fiscal quarter ending September 30, 2012, provide to the Repository a Quarterly Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Quarterly Report shall be submitted to the Repository’s EMMA system either through a web-based electronic submission interface or through electronic computer-to-computer data connections with EMMA in accordance with the submission process, document format and configuration requirements established by the MSRB. If the Borrower’s fiscal year changes, the end dates for the Borrower’s fiscal quarters shall be adjusted accordingly.

### SECTION 4. Content of Annual Reports and Quarterly Reports.

The Borrower’s Annual Report shall contain or include by reference the following: The audited consolidated financial statements of the Borrower for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

The Borrower’s Quarterly Report shall contain or include by reference the following: The unaudited consolidated financial statements of the Borrower for the prior fiscal quarter, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board.



The Borrower's Annual Report and the Borrowers Quarterly Report shall contain or include by reference the following: Updates of the annual financial information provided in "Appendix C – Audited financial statements of Royal Charter Properties, Inc. as of and for the years ended December 31, 2011 and 2010, unaudited financial statements of Royal Charter Properties, Inc. for the three-month periods ended March 31, 2012 and 2011, and audited financial statements of The New York and Presbyterian Hospital for the years ended December 31, 2011 and 2010" in the Official Statement and the utilization statistics provided with respect to The New York and Presbyterian Hospital in "Appendix B – New York and Presbyterian Hospital – Service Area, Other Area Hospitals and Utilization – Utilization" in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Borrower is an "obligated person" (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower<sup>1</sup>;

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<sup>1</sup> For the purposes of the event identified in Section 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

- (13) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Bond Trustee shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any potential Material Event, provide the Borrower and the Issuer with notice (by facsimile transmission confirmed by telephone). The Bond Trustee shall not be deemed to have actual knowledge of the events listed in clauses (2), (6), (7), (10), and (11) without the Bond Trustee having received written notice of such event. For purposes of providing notice to the Borrower and the Issuer, the Bond Trustee shall assume that the unscheduled draws described in clauses (3) and (4) reflect financial difficulty.

(c) Whenever the Borrower obtains knowledge of the occurrence of a potential Material Event, because of a notice from the Bond Trustee pursuant to subsection (b) or otherwise, the Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is in fact a Material Event that is required by the Rule to be disclosed and provide the Bond Trustee with notice and instructions pursuant to subsections (d) or (e) below, as applicable, with a copy to the Issuer.

(d) If the Borrower has determined that a Material Event is required to be disclosed then the Borrower shall prepare a written notice describing the Material Event and provide the same to the Bond Trustee along with instructions to file the same pursuant to subsection (f) below, with a copy to the Issuer.

(e) If the Borrower determines that an event is not required to be disclosed as a Material Event then the Borrower shall so notify the Bond Trustee in writing and instruct the Bond Trustee not to report the occurrence pursuant to subsection (f), with a copy to the Issuer.

(f) If the Bond Trustee has been provided with a written notice describing a Material Event and is instructed by the Borrower to report the occurrence of such Material Event, the Bond Trustee shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Material Event, file the notice with the Repository and send a copy to the Borrower and to the Issuer. The foregoing notwithstanding, notice of a Material Event described in clauses (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Submission of Information. All documents provided to the Repository pursuant to this Disclosure Agreement shall be accompanied by identifying information as prescribed by the Repository.

SECTION 7. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds and at such time that the Borrower ceases to be an "obligated person" (as defined by the Rule). If the Borrower's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the Borrower shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Borrower shall give notice of the same, or shall cause notice of the same to be given, in the same manner as for a Material Event under Section 5(d).

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governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

SECTION 8. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement, including but not limited to determining whether the contents of any Annual Report or Quarterly Report satisfy the requirements of Section 4 of the Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower may amend this Disclosure Agreement (and the Bond Trustee shall agree to any amendment so requested by the Borrower), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Borrower with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Bond Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement regarding annual financial information containing amended operating data and financial information, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of such financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Borrower or the Bond Trustee to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the request of any Participating Underwriter or the Holders of at least fifty-one percent (51%) aggregate principal amount of Outstanding Bonds, subject to its right to be indemnified to its satisfaction, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific

performance by court order, to cause the Borrower or Bond Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Bond Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Bond Trustee. For the purposes of defining the standards of care and performance and the protections and indemnities applicable to the Bond Trustee in the performance of its obligations under this Disclosure Agreement, Article IX of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. Anything herein to the contrary notwithstanding, other than as explicitly set forth herein, the Bond Trustee shall have no duty to investigate or monitor compliance by the Borrower with the terms of this Disclosure Agreement, including without limitation, reviewing the accuracy or completeness of any notices or filings filed by the Borrower hereunder.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower:           Royal Charter Properties, Inc.  
525 East 68th Street  
Box 156  
New York, New York 10065  
Attention: President

with a copy to:           The New York and Presbyterian Hospital  
Office of Legal Affairs and Risk Management  
525 East 68<sup>th</sup> Street  
Box 88  
New York, New York 10065  
Attention: General Counsel

To the Bond Trustee:       The Bank of New York Mellon  
101 Barclay Street, Floor 7W  
New York, New York 10286  
Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. Disclosure Agreement shall inure solely to the benefit of the Borrower, the Bond Trustee, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

ROYAL CHARTER PROPERTIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK MELLON,  
as Bond Trustee

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**  
**NOTICE TO REPOSITORIES REGARDING**  
**FINANCIAL INFORMATION**

Name of Issuer: Build NYC Resource Corporation

Name of Bond Issue: \$24,660,000 Build NYC Resource Corporation Parking Facility Revenue Bonds  
(Royal Charter Properties, Inc. – The New York and Presbyterian Hospital  
Leasehold Project), Series 2012

Name of Company: Royal Charter Properties, Inc.

Date of Issuance: June 29, 2012

NOTICE IS HEREBY GIVEN that the Company has not yet provided or caused the Company to provide the Annual Financial Information with respect to the above-named Bonds. The Company anticipates that the Annual Financial Information will be filed by [date].

Dated: \_\_\_\_\_

THE BANK OF NEW YORK MELLON

\_\_\_\_\_  
Authorized Officer

cc: Royal Charter Properties, Inc.  
Build NYC Resource Corporation

## APPENDIX I—PROPOSED FORM OF OPINION OF BOND COUNSEL

June 29, 2012

Build NYC Resource Corporation  
110 William Street  
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the Parking Facility Revenue Bonds (Royal Charter Properties, Inc. - The New York and Presbyterian Hospital Leasehold Project), Series 2012 in the aggregate principal amount of \$24,660,000 (the “Bonds”) of Build NYC Resource Corporation, a local development corporation organized pursuant to the Not-for-profit Corporation Law of the State of New York at the direction of the Mayor of The City of New York (the “Issuer”).

The Bonds are issued under and pursuant to an Indenture of Trust, dated as of June 1, 2012 (the “Indenture”), between the Issuer and The Bank of New York Mellon, as trustee (the “Trustee”), and a resolution of the Issuer adopted on June 12, 2012 authorizing the Bonds (the “Resolution”).

The Bonds are dated the date hereof, are issuable as fully registered bonds, without coupons, in authorized denominations of \$5,000 or any integral multiple thereof, and mature on the dates and bear interest at the rates as set forth in the Indenture and the Bonds.

The Bonds are subject to redemption prior to maturity, in the manner and upon the terms and conditions set forth in the Indenture and the Bonds.

The Bonds are issued to provide financing for (i) the refunding of approximately \$24,660,000 outstanding New York City Industrial Development Agency, Parking Facility Revenue Bonds (Royal Charter Properties, Inc.—The New York and Presbyterian Hospital Leasehold Project) Series 2001 (the “Prior Bonds”) issued for the benefit of Royal Charter Properties, Inc., a not-for-profit corporation (the “Institution”) and (ii) certain costs associated with the issuance of the Bonds (collectively, the “Project”). The proceeds of the Prior Bonds, together with other funds of the Institution were used to finance (i) the renovation and construction of an expansion of a parking garage located at 115-143 Fort Washington Avenue, New York, New York 10032, which as renovated and expanded, is an approximately 501,375 square foot, ten level (including roof), 1,950 space parking garage (the “Facility”); (ii) the funding of a debt service reserve funds; and (iii) the financing of certain costs of issuance.

The Issuer and the Institution have entered into a Loan Agreement, dated as of June 1, 2012 (the “Loan Agreement”), providing, among other things, for the financing of the Project and the loan of the proceeds of the Bonds to the Institution. The obligation of the Institution to repay the loan will be evidenced by a certain Promissory Note dated the date hereof from the Institution to the Issuer and endorsed to the Trustee (the “Promissory Note”). The Bonds are also secured by a mortgage lien on and a security interest in the Institution’s fee title interest in the Facility pursuant to a Mortgage and Security Agreement, dated as of June 1, 2012, from the Institution, as mortgagor, to the Issuer and the Trustee, as mortgagees (the “Mortgage”). Pursuant to an Assignment of Mortgage and Security Agreement, dated as of June 1, 2012 (the “Assignment of Mortgage”), the Issuer has assigned to the Trustee all of the Issuer’s right, title and interest in and to the Mortgage. The Issuer, the Institution, the Trustee and The New York and Presbyterian Hospital (the “Hospital”) have entered into an Undertaking, Consent and Assignment Agreement, dated June 29, 2012 (the “Undertaking”), providing, among other things, for the absolute assignment by the Institution to the Trustee of its rights to receive certain payments by the Hospital and the right to enforce payment thereof.

The scheduled payment of principal of and interest on the Bonds when due is guaranteed under an insurance policy issued by Assured Guaranty Corp. (the “Bond Insurer”).

It is provided in the Indenture that, upon complying with certain prescribed conditions, the Issuer may issue additional bonds from time to time on the terms and conditions and for the purposes stated in the Indenture, and said additional bonds, if issued, will be equally and ratably secured under the Indenture with the 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 Bonds for interest on the Bonds to be and remain not includable in gross income of the owners thereof under Section 103 of the Code. Included among the continuing requirements are the maintenance of the status of the Institution and The New York and Presbyterian Hospital (the “Hospital”), as organizations described in Section 501(c)(3) of the Code, certain restrictions and prohibitions on the use of bond proceeds and the use of the Facility, restrictions on the investment of proceeds and other amounts, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with these continuing requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes (and to be includable in taxable income for purposes of New York State, New York City and City of Yonkers personal income taxes) retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Certificates of the Issuer, the Institution and the Hospital, and accompanying documents, exhibits, and certificates, the Issuer, the Institution and the Hospital have covenanted to comply with certain procedures, and they have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinion set forth herein regarding federal and state income tax matters assumes continuing compliance with such covenants, and the accuracy, in all material aspects, of such representations and certifications.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificates of the Issuer, the Institution and the Hospital 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. Winston & Strawn LLP expresses no opinion as to the effect on the exclusion from gross income for federal tax purposes, and as to the effect on the non-inclusion in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, of interest on the Series 2012 Bonds of any such change occurring, or such action or other action taken or not taken, after the date of issue of the Bonds, upon the advice or approval of bond counsel other than Winston & Strawn LLP.

We are of the opinion that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the laws of the State of New York, including particularly the Act, and other applicable provisions of law and the Resolution, and pursuant and subject to the provisions, terms and conditions of the Indenture.

2. The Issuer has the right and power to enter into the Indenture, the Loan Agreement, the Mortgage and the Assignment of Mortgage. The Indenture, the Loan Agreement, the Mortgage and the Assignment of Mortgage have been duly authorized, executed and delivered by the Issuer, and, assuming due authorization, execution and delivery by the other parties thereto, are in full force and effect in accordance with their terms and are valid and binding upon the Issuer and enforceable in accordance with their respective terms, and no other authorization by the Issuer for the Indenture, the Loan Agreement, the Mortgage and the Assignment of Mortgage is required.

3. The Issuer has the right and power to authorize, execute and deliver the Bonds, and the Bonds have been duly authorized, executed and delivered by the Issuer. The Bonds are valid and binding special obligations of the Issuer, payable solely from the loan payments, revenues and receipts derived from the Loan



Agreement and pledged under the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefit of the Indenture. All conditions precedent to the delivery of the Bonds have been fulfilled.

4. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Issuer, the Institution and the Hospital (and their successors) with the covenants and the accuracy of the representations referenced above. Interest on the Bonds (including any accrued original issue discount) is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest is includable in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals).

All of the maturities of the Bonds have been initially offered to the public at a price in excess of the principal amount thereof and such excess will constitute bond premium in the case of said maturities of the Bonds sold at their initial offering price (the “Premium Bonds”). An initial purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium 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 Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds, callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. 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 Bonds.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds (including any accrued original issue discount) is not included in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, assuming continuing compliance by the Issuer, the Institution and the Hospital (and their successors) with the covenants and the accuracy of the representations referenced above.

Except as stated in paragraphs 4 and 5 above, we express no opinion regarding any other federal or state tax consequences of the ownership or disposition of the Bonds.

We have examined one of the Bonds in fully registered form, and, in our opinion, the form of said Bond is regular and proper.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Indenture, Loan Agreement, the Assignment of Mortgage, and the Mortgage may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors’ rights generally and by application of general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

In rendering this opinion, we express no opinion with respect to the due recording of the Mortgage, the Assignment of Mortgage and Indenture and the due filing and sufficiency of financing statements under the New York State Uniform Commercial Code. We understand that you have received the opinions of Richard E. Marshall, Esq., Vice President of Legal Affairs to the Issuer, and Dennett Law Offices, P.C., counsel to the Institution, each dated the date hereof.

In rendering this opinion, we are not passing upon any matters relating to title to the Facility. We understand that you have received a title insurance policy insuring the Trustee’s interest under the Mortgage.

In rendering this opinion, with respect to (i) the due authorization, execution and delivery of the Loan Agreement, the Promissory Note, the Mortgage, the Assignment of Lease and the Tax Certificate by the Institution, (ii) the current qualification of the Institution and the Hospital as organizations described in Section 501(c)(3) of the Code and (iii) the use contemplated by the Institution and the Hospital of the Facility as substantially related to the charitable purposes of the Institution and the Hospital under Section 513 of the Code, we have relied upon the opinion of Dennett Law Offices, P.C., counsel to the Institution and the Hospital, dated the date hereof.

In rendering this opinion, with respect to the due authorization, execution and delivery of the Indenture by the Trustee, we have relied upon the opinion of Carter Ledyard & Milburn LLP, counsel to the Trustee, dated the date hereof.

Respectfully yours,



