

Interest received by a holder of the Series 2007A Bonds prior to the Conversion Date (as defined herein) and interest received by a holder of the Series 2007B Bonds will not be excludable from gross income for federal income tax purposes. After the Conversion Date, subject to certain conditions precedent as described herein (including the delivery of a Favorable Tax Opinion), assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2007A Bonds and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the Conversion Date, interest received by holders of the Series 2007A Bonds shall become excludable from gross income for federal income tax purposes and shall not be treated as a tax preference item for purposes of the alternative minimum tax imposed by Section 55 of the Code. However, interest on the Series 2007A Bonds (after the Conversion Date) may become taxable retroactively if certain requirements under the Code are not complied with. For corporate holders, interest on the Series 2007A Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability. If the conditions precedent to conversion are not satisfied with respect to the Series 2007A Bonds, the interest on such Series 2007A Bonds will continue to be includible in gross income for federal income tax purposes. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of Series 2007 Bonds, interest on the Series 2007 Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Series 2007 Bonds.

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY
\$40,465,000 City of Hoboken Guaranteed
Hospital Revenue Bonds, Series 2007A
(Federally Taxable)(Convertible to Tax-Exempt)
and
\$11,170,000 City of Hoboken Guaranteed
Hospital Revenue Bonds, Series 2007B
(Federally Taxable)

Dated: Date of Closing

Due: July 1, in the years shown on inside cover

The \$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds Series 2007A (Federally Taxable)(Convertible to Tax-Exempt) (the "Series 2007A Bonds") and \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Series 2007 Bonds") of the Hoboken Municipal Hospital Authority (the "Authority") shall be issued in the form of one certificate for the aggregate principal amount of each maturity of the Series 2007 Bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Series 2007 Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any amount in excess thereof, through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Series 2007 Bonds will not receive certificates representing their beneficial ownership interests in the Series 2007 Bonds, but each book-entry owner will receive a credit balance on the books of its nominee. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2007 Bonds shall bear interest from the dated date of delivery on the basis of a 360-day year consisting of twelve 30-day months, at the rates set forth on the inside cover hereof. Interest on the Series 2007 Bonds will be payable commencing on July 1, 2007 and on each January 1 and July 1 thereafter until final maturity. The Series 2007 Bonds are subject to redemption prior to their stated maturity as fully described herein. See "DESCRIPTION OF THE SERIES 2007 BONDS" herein.

The Series 2007A Bonds shall initially bear interest at the Initial Taxable Rate until January 1, 2008, or up to but not including the Conversion Date (if any) for the Series 2007A Bonds as defined herein. The Series 2007A Bonds will bear interest at the Tax-Exempt Rates after Conversion Date (if any) if certain conditions precedent described herein are satisfied, including the delivery by the Authority of a Favorable Tax Opinion to the Trustee and each Repository (as hereinafter defined) or if not converted at the Reset Rates.

The Series 2007 Bonds will be issued pursuant to: (i) the Municipal Hospital Authority Law, constituting Chapter 46 of the Pamphlet Laws of 2006, N.J.S.A. 30:9-23.15 et seq. of the State of New Jersey, as amended and supplemented (the "Act"); (ii) a bond resolution of the Authority adopted January 3, 2007, as amended and supplemented on January 24, 2007; and (iii) an Indenture of Trust by and between the Authority and Commerce Bank, National Association, as Trustee (the "Trustee") dated as of February 1, 2007 (the "Original Indenture"), as amended and supplemented by a First Supplemental Indenture dated as of February 1, 2007 by and between the Authority and the Trustee (the "First Supplemental Indenture" and together with the Original Indenture, the "Indenture") and (iv) all other applicable law.

The Series 2007A Bonds are being issued for the purpose of providing funds for (i) the acquisition of various capital improvements and fixed and major moveable equipment for hospital facilities known as St. Mary Hospital and being acquired by the Authority and to be known as Hoboken University Medical Center, located at 308 Willow Avenue, Hoboken, New Jersey (the "Hospital"), (ii) finance the acquisition by the Authority of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey to be used as a clinic, physician offices and training facility, (iii) the acquisition by the Authority of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (iv) the construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken (the "City") located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used by the Authority for hospital office facilities, (v) capitalized interest on the Series 2007A Bonds for a period of two years, (vi) the funding of a deposit to a debt service reserve fund for the Series 2007A Bonds and (vii) the payment of costs of issuing the Series 2007A Bonds (the "Series 2007A Project").

The Series 2007B Bonds are being issued for the purpose of (i) providing capitalized interest for a period of two years, (ii) providing certain initial start-up working capital and reserves for operation of the Hospital, and (iii) paying costs of issuing the Series 2007B Bonds (the "Series 2007B Project" and collectively, with the Series 2007A Project, the "Project"). See "PROJECT DESCRIPTION" herein.

The Series 2007 Bonds are special, limited obligations of the Authority, payable by the Authority solely from the Trust Estate (as defined in the Indenture). The Series 2007 Bonds are further secured by a guaranty of the City authorized by ordinance finally adopted on January 3, 2007 (the "Guaranty Ordinance") providing for the unconditional guaranty (the "City Guaranty") by the City of the payment when due of the principal of and interest on the Series 2007 Bonds, and to implement said Guaranty Ordinance the City, the Authority and the Trustee will enter into a Guaranty Agreement dated as of February 1, 2007 relating to the Series 2007 Bonds (the "Guaranty Agreement").

The City Guaranty is a valid and legally binding obligation of the City and, unless the principal and interest on the Series 2007 Bonds is paid from other sources, the City shall make payment from ad valorem taxes levied upon all the taxable property within the jurisdiction of the City without limitation as to rate or amount for the payment of its obligations under the City Guaranty. See "SECURITY FOR THE SERIES 2007 BONDS" herein.

The scheduled payment of principal of and interest on the Series 2007 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by FINANCIAL SECURITY ASSURANCE INC.



NEITHER THE STATE OF NEW JERSEY, THE COUNTY, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY, THE COUNTY, THE CITY (EXCEPT TO THE EXTENT OF THE GUARANTY) NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2007 BONDS. THE SERIES 2007 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE SERIES 2007 BONDS. THE SERIES 2007 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Series 2007 Bonds are offered when, as and if issued and delivered to the Underwriter, subject to an approving legal opinion of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the Authority. Certain matters will be passed upon for the City and the Authority by Joseph Sherman, Esq., Corporation Counsel and Acting Authority General Counsel and for the Underwriter by DeCotiis, FitzPatrick, Cole & Wisler, LLP, Teaneck and Trenton, New Jersey. It is expected that the Series 2007 Bonds will be available in definitive form for delivery to DTC in New York, New York, or such other place as agreed to by the Authority, on or about February 1, 2007.



HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

\$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable)(Convertible to Tax-Exempt)

The Initial Taxable Rate is 5.75%. The interest rates in the chart below are the interest rates on the Series 2007A Bonds after Conversion to Tax-Exempt Rates. The Initial Interest Rate will either be (i) reset to the Reset Rates or (ii) converted to the Tax-Exempt Rates upon Conversion as set forth herein. See “DESCRIPTION OF THE SERIES 2007 BONDS – Reset Rates on the Series 2007A Bonds” and “- Conversion of Interest Rates on the Series 2007A Bonds to Tax-Exempt Rates” herein.

Maturity <u>July 1,</u>	Principal <u>Amount</u>	Tax-Exempt Interest	<u>Yield</u>
		<u>Rates Upon Conversion</u>	
2010	\$1,850,000	3.90 %	3.90 %
2011	1,920,000	3.80	3.80
2012	1,995,000	3.85	3.85
2013	2,070,000	3.90	3.90
2014	2,155,000	3.95	3.95
2015	2,240,000	4.00	4.00
2016	2,325,000	4.05	4.05
2017	2,420,000	4.10	4.10
2018	2,520,000	4.15	4.15
2019	2,625,000	4.25	4.25
2020	2,735,000	4.35	4.35
2021	2,855,000	4.45	4.45
2022	2,980,000	4.50	4.50
2023	3,115,000	4.50	4.50
2024	3,255,000	4.55	4.55
2025	3,405,000	4.60	4.60

\$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable)

Maturity <u>July 1,</u>	Principal <u>Amount</u>	Interest	<u>Yield</u>
		<u>Rate</u>	
2008	\$2,300,000	5.410%	5.410%
2009	2,850,000	5.440	5.440
2026	6,020,000	5.816	5.816

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the Authority, DTC (with respect to information set forth herein under the caption "DESCRIPTION OF THE SERIES 2007 BONDS - Book-Entry Only System"), the City and other sources which are believed to be reliable by the Authority and the Underwriter, but such information provided by DTC, the City and such other sources is not guaranteed as to accuracy or completeness by the Authority, and is not intended to be and is not to be construed as such by the Authority. The Trustee and its counsel have not participated in the preparation of this Official Statement, and as such, the Trustee disclaims any responsibility for the accuracy or completeness of the information set forth in this Official Statement.

Certain demographic and financial information concerning the City is set forth in this Official Statement. Neither the Authority nor the Underwriter has confirmed the accuracy or completeness of the information relating to the City, and the Authority disclaims any responsibility for the accuracy or completeness thereof.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and Appendix E - "SPECIMEN BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Bonds; or (iii) the tax exempt status of the interest on the Series 2007A Bonds.

Where the Constitution or statutes of the State are referred to herein, reference should be made to such Constitution or statutes for a complete statement of the matters referred to. Any statements which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2007 Bonds.

The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof or any earlier date as of which such information is given. This Official Statement is submitted in connection with the sale of the Series 2007 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Upon issuance, the Series 2007 Bonds will not be registered under the Securities Act of 1933, as amended. The Series 2007 Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Authority, will have passed upon the accuracy or adequacy of this Official Statement at the time the Series 2007 Bonds are issued.

This Official Statement includes the cover page hereof and the appendices attached hereto. The Underwriter has been authorized by the Authority to imprint the Series 2007 Bond offering prices and their names on the cover page, together with the interest rate per annum for the various maturities of the Series 2007 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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

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, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS THEY APPLY TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

**\$40,465,000 City of Hoboken Guaranteed
Hospital Revenue Bonds, Series 2007A
(Federally Taxable)(Convertible to Tax-Exempt)
and
\$11,170,000 City of Hoboken Guaranteed
Hospital Revenue Bonds, Series 2007B
(Federally Taxable)**

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and Appendices) is to set forth information concerning the Hoboken Municipal Hospital Authority (the “Authority”), a public body corporate and politic and a political subdivision of the State of New Jersey (the “State”) created pursuant to an ordinance of the Municipal Council of the City of Hoboken (the “City” or “Hoboken”) established pursuant to the Municipal Hospital Authority Law, constituting chapter 46 of the Pamphlet Laws of 2006, N.J.S.A. 30:9-23.15 *et seq.* of the State of New Jersey, as amended and supplemented (the “Act”), the City and the offering of the Authority’s \$40,465,000 aggregate principal amount of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable)(Convertible to Tax-Exempt) (the “Series 2007A Bonds”) and \$11,170,000 principal amount of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Taxable) (the “Series 2007B Bonds” and together with the Series 2007A Bonds, the “Series 2007 Bonds”) to be issued pursuant to the Act, a bond resolution of the Authority, entitled “RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO FINANCE CERTAIN COSTS IN CONNECTION WITH THE ACQUISITION OF CERTAIN ASSETS RELATING TO ST. MARY HOSPITAL, THE OPERATION THEREOF AND CONSTRUCTION OF CERTAIN IMPROVEMENTS THERETO, AND FURTHER AUTHORIZING THE EXECUTION OF A TRUST INDENTURE TO SECURE SAME” adopted on January 3, 2007, as amended and supplemented on January 24, 2007 (collectively, the “Bond Resolution”), and an Indenture of Trust by and between the Authority and the Trustee (as defined below) dated as of February 1, 2007 (the “Original Indenture”), as amended and supplemented by a First Supplemental Indenture dated as of February 1, 2007 by and between the Authority and the Trustee (the “First Supplemental Indenture” and together with the Original Indenture, the “Indenture”).

In accordance with the Act and the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Laws of 1983 of the State, as amended and supplemented, the Local Finance Board in the Division of Local Government Services of the New Jersey Department of Community Affairs (the “Local Finance Board”) has reviewed the project financing, the issuance of the Series 2007 Bonds, the City Guaranty (as defined in “SECURITY FOR THE SERIES 2007 BONDS – City Guaranty” herein) and, by a resolution adopted December 21, 2006, made favorable findings with respect to the project financing, the issuance of the Series 2007 Bonds by the Authority and the City Guaranty. Pursuant to the requirements of N.J.S.A. 40A:5A-1 *et seq.*, the members of the Authority will review and acknowledge the findings of the Local Finance

Board. Pursuant to the Act, the Local Finance Board also approved the issuance of the Series 2007 Bonds and the execution of the Master Manager and Operator Agreement (as defined in “THE MASTER MANAGER AND OPERATOR AGREEMENT” herein) by the resolution adopted by the Local Finance Board on December 21, 2006.

Commerce Bank, National Association, Cherry Hill, New Jersey, has been appointed to serve as trustee (“Trustee”), paying agent (“Paying Agent”) and registrar (“Registrar”) with respect to the Series 2007 Bonds.

There follows in this Official Statement brief descriptions of the Series 2007 Bonds, the Bond Resolution, the Indenture, the City Guaranty and the Master Manager and Operator Agreement. Such descriptions are qualified in their entirety by reference to the definitive forms of such documents. This Official Statement also contains information or descriptions of the Authority, the City, the Authority Facilities, the Project and the Plan of Finance (as hereinafter described). Capitalized words and terms which are used in this Official Statement and which are not otherwise defined herein have the meanings set forth in the Indenture. See “APPENDIX C - FORM OF INDENTURE OF TRUST AND FIRST SUPPLEMENTAL INDENTURE.” The summaries of and references to all documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

PURPOSE OF THE SERIES 2007 BONDS

The Series 2007A Bonds are being issued for the purpose of providing funds for: (A) the acquisition of various capital improvements and fixed and major moveable equipment for hospital facilities known as St. Mary Hospital and being acquired by the Authority and to be known as Hoboken University Medical Center, located at 308 Willow Avenue, Hoboken, New Jersey (the “Hospital”), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square feet emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) the acquisition by the Authority of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey to be used as a clinic, physician offices and training facility, (C) the acquisition by the Authority of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (D) the construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used by the Authority for hospital office facilities, (D) capitalized interest on the Series 2007A Bonds for a period of two years, (E) the funding of a deposit to a debt service reserve fund for the Series 2007A Bonds, and (F) the payment of costs of issuing the Series 2007A Bonds (the “Series 2007A Project”).

The Series 2007B Bonds are being issued for the purpose of (i) providing capitalized interest on the Series 2007B Bonds for a period of two years, (ii) providing certain initial start-up working capital and reserves for operation of the Hospital, and (iii) paying costs of issuing the Series 2007B Bonds (the “Series 2007B Project” and, collectively with the Series 2007A Project, the “Project”). See “PROJECT DESCRIPTION” herein.

DESCRIPTION OF THE SERIES 2007 BONDS

Terms of the Series 2007 Bonds

The Series 2007 Bonds will be dated the date of delivery thereof, and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Series 2007 Bonds will bear interest payable semiannually on January 1 and July 1, commencing on July 1, 2007 (each an "Interest Payment Date"), in each year until maturity at the rates (subject, in the case of the Series 2007A Bonds to periodic reset and Conversion as more fully described herein) set forth on the inside cover page hereof. The record dates, as listed on the records of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Series 2007 Bonds, for the payment of interest on the Series 2007 Bonds, are each June 15 and December 15 immediately preceding an Interest Payment Date (the "Record Dates" for the payment of interest on the Series 2007 Bonds). Principal of, redemption premium, if any, and interest on the Series 2007 Bonds will be payable at the office of the Trustee.

Reset Rates on the Series 2007A Bonds

The Series 2007A Bonds, shall bear interest (i) from the date of delivery thereof to the Conversion Date (as defined under the heading "Conversion of Interest Rate on the Series 2007A Bonds to Tax-Exempt Rates" below) or January 1, 2008 (the "First Reset Date"), at the "Initial Taxable Rate" of 5.75% as set forth on the inside cover page hereof, (ii) from the First Reset Date to the earlier of the Conversion Date or January 1, 2009 (the "Second Reset Date"), at the respective "2008 Reset Rates" set forth below, (iii) from the Second Reset Date to the earlier of the Conversion Date or January 1, 2010 (the "Third Reset Date"), at the respective "2009 Reset Rates" set forth below, and (iv) from the Third Reset Date to maturity, at the respective "2010 Reset Rates" set forth below:

<u>Maturity Year</u>	<u>2008 Reset Rate</u>	<u>2009 Reset Rate</u>	<u>2010 Reset Rate</u>
2010	6.00%	6.09%	6.190%
2011	5.85	5.94	6.032
2012	5.92	6.02	6.111
2013	6.00	6.09	6.190
2014	6.08	6.17	6.270
2015	6.15	6.25	6.349
2016	6.23	6.33	6.429
2017	6.31	6.41	6.508
2018	6.38	6.48	6.587
2019	6.54	6.64	6.746
2020	6.69	6.80	6.905
2021	6.85	6.95	7.063
2022	6.92	7.03	7.143
2023	6.92	7.03	7.143
2024	7.00	7.11	7.222
2025	7.08	7.19	7.302

The Authority is required to file a notice with the Trustee setting forth, not less than six (6) days prior to each Reset Date the interest rate per annum to take effect with respect to the

Series 2007A Bonds on such Reset Date (and that such interest rate is a Reset Taxable Rate); *provided, however*, that the failure of the Authority to file any such notice or any defect in any notice so provided shall not affect the resetting of the interest rate for the Series 2007A Bonds. The Trustee is also required to promptly mail a copy of each such notice received from the Authority pursuant to the preceding sentence to each Registered Owner of the Series 2007A Bonds at their addresses as they appear on the registration books maintained by the Registrar.

If the Series 2007A Bonds are not converted by January 1, 2010, the Series 2007A Bonds will bear interest at the 2010 Reset Rates until maturity. The Series 2007A Bonds are not subject to tender or redemption at the option of the Holders thereof in connection with the periodic rate resets described above.

Conversion of Interest Rates on the Series 2007A Bonds to Tax-Exempt Rates

From and after the Conversion Date (as defined below), if any, the Series 2007A Bonds shall bear interest at the respective “Tax Exempt Rates” set forth below:

<u>Maturity Year</u>	<u>Tax-Exempt Rate</u>	<u>Yield</u>
2010	3.90%	3.90%
2011	3.80	3.80
2012	3.85	3.85
2013	3.90	3.90
2014	3.95	3.95
2015	4.00	4.00
2016	4.05	4.05
2017	4.10	4.10
2018	4.15	4.15
2019	4.25	4.25
2020	4.35	4.35
2021	4.45	4.45
2022	4.50	4.50
2023	4.50	4.50
2024	4.55	4.55
2025	4.60	4.60

The Authority is required to file a notice with the Trustee setting forth (i) not less than sixty (60) days prior to the Conversion Date, notice that such Conversion Date is expected to occur and the CUSIP Number which will be applicable to the Series 2007A Bonds from and after such Conversion Date and (ii) not less than six (6) days prior to the Conversion Date, the interest rate per annum to take effect with respect to the Series 2007A Bonds on such Conversion Date (and that such interest rate is the Tax Exempt Rate); *provided, however*, that the failure of the Authority to file any such notice or any defect in any notice so provided shall not affect the conversion of the interest rate for the Series 2007A Bonds. The Trustee is also required to promptly mail a copy of each such notice received from the Authority pursuant to the preceding sentence to each Registered Owner of the Series 2007A Bonds at their addresses as they appear on the registration books maintained by the Registrar.

The Series 2007A Bonds are not subject to tender or redemption at the option of the Holders thereof in connection with any conversion to the Tax-Exempt Rates as described above.

Under the Indenture, the “Conversion Date” is defined as the first day of any month coincident with the issuance of a “Favorable Tax Opinion” (but no later than January 1, 2010) which is defined generally as an opinion of nationally recognized bond counsel to the effect that from and after the Conversion Date, interest on the Series 2007A Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not treated as a preference items for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. The Indenture requires that, prior to the conversion of interest on the Series 2007A Bonds to the Tax Exempt Rates and the issuance of a Favorable Tax Opinion, the following conditions shall be satisfied:

(a) The Authority shall satisfy the requirements of Section 147(f) of the Code by approving the Series 2007A Bonds and the conversion of the interest rates thereon to the Tax Exempt Rates and have obtained approval thereof from the Mayor of the City, within one (1) year prior to the Conversion Date; and

(b) If the Series 2007A Bonds are to be treated as “qualified 501(c)(3) bonds” under the Code, then (unless specifically waived by bond counsel in its Favorable Tax Opinion),

(i) the Internal Revenue Service shall have issued a favorable determination letter with respect to the tax exempt status of Hudson Healthcare, Inc., or its successors as manager of the Hospital (the “Manager”), as a corporation described in Section 501(c)(3) of the Code; and

(ii) the Authority shall receive an opinion letter from counsel to the Manager stating that the Manager has been determined to be and is exempt from Federal income taxes under Section 501(a) of the Code, by virtue of being an organization described in Section 501(c)(3) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code, and is not a “private foundation” as defined in Section 509(a) of the Code and, to the best knowledge of such counsel after due inquiry of responsible officers of the Manager, the Manager has made all filings necessary to maintain its status as an exempt organization and has done nothing to impair its status as an exempt organization described in Section 501(c)(3) of the Code, and the projects financed with the proceeds of the Series 2007A Bonds will be, if used as described in the Financing Documents (as such term is defined in the Indenture), used in furtherance of the Manager 's exempt purpose under the Code and will not adversely impact the Manager 's status as an organization described in Section 501(c)(3) of the Code; and

(iii) both the Authority and the Manager have provided such written certifications and covenants as may be required by bond counsel to the Authority.

The Authority presently anticipates that the Conversion Date will occur approximately 9-18 months following the date of delivery of the Series 2007A Bonds, and that the Series 2007A Bonds will thereafter be treated as “qualified 501(c)(3) bonds” under the Code. However, there can be no assurance that the conditions to Conversion Date will be satisfied, nor when (if at all) said Conversion Date will occur. If the Conversion Date does not occur, the Series 2007A Bonds will continued to bear interest at the taxable rates described above under the heading

“Reset Rates on the Series 2007A Bonds”.

From and after the Conversion Date, the Series 2007A Bonds will continue to bear interest at the Tax-Exempt Rates, notwithstanding any subsequent failure by the Authority or by the Manager to comply with their respective covenants relating to the tax-exempt status of the Series 2007A Bonds.

Denomination and Place of Payment

The Series 2007 Bonds will be issued as fully registered book-entry bonds, and registered in the name of and held by Cede & Co. ("Cede"), as nominee for DTC, which will act as securities depository for the Series 2007 Bonds under its book-entry-only system. An individual purchaser may purchase a Series 2007 Bond in book-entry form (without certificates) in denominations of \$5,000, or any integral multiple thereof. Provided DTC, or its nominee Cede, is the Registered Owner of the Series 2007 Bonds, the principal of and interest on the Series 2007 Bonds will be paid to DTC or Cede, as its nominee. See "Book-Entry-Only System" below.

Optional Redemption

Series 2007A Bonds

The Series 2007A Bonds maturing on or after July 1, 2018 are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as set forth in the Indenture, as a whole or in part at any time, in such order of maturity as selected by the Authority and by lot within a maturity, on and after July 1, 2017, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007A Bonds to be redeemed, together with interest accrued to the redemption date.

Series 2007B Bonds

The Series 2007B Bonds are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as provided in the Indenture, as a whole or in part, at any time in such order of maturity as selected by the Authority and by lot within maturity at any time, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007B Bonds to be redeemed plus the Make-Whole Premium (as defined below), if any, together with interest accrued to the redemption date.

“Make-Whole Premium” means, with respect to any Series 2007 B Bond to be redeemed, an amount calculated by an Independent Banking Institution (as defined in the Indenture) equal to the positive difference, if any between:

- (i) The sum of the present values, calculated as of the redemption date, of:
 - (A) Each interest payment that, but for the redemption, would have been payable on the Series 2007B Bond or portion thereof being redeemed on each regularly scheduled interest payment date occurring after the redemption date through the maturity date of such Series 2007B Bond (excluding any accrued interest for the period prior to the redemption date); provided, that if the redemption date is not a regularly scheduled

interest payment date with respect to such Series 2007B Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Series 2007B Bond to the redemption date; plus

- (B) The principal amount that, but for such redemption, would have been paid on the maturity date of the Series 2007B Bond or portion thereof being redeemed; minus
- (ii) The principal amount of the Series 2007B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in clause (i) above shall be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield (as defined below) plus 15.0 basis points.

“Comparable Treasury Yield” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15 (519) Selected Interest Rates” (“H.15 (519)”) under the heading “Treasury Constant Maturities,” or successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that established yields on actively traded U.S. Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2007 B Bond being redeemed. The Comparable Treasury Yield shall be determined as of the third business day immediately preceding the applicable redemption date. If the H.15 (519) statistical release sets forth a weekly average yield for U.S. Treasury securities that have a constant maturity that is within three months of the remaining term to maturity of the Series 2007 B Bond being redeemed, then the Comparable Treasury Yield shall be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield shall be calculated by interpolation on a straight-line basis, between the weekly average yields on the U.S. securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2007 B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2007 B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of the 1% with any figure of 1/200th of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for U.S. Treasury securities for the preceding week are not available in the H.15 (519) statistical release or any successor publication, then the Comparable Treasury Yield shall be the rate of interest per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as percentage of its principal amount) equal to the Comparable Treasury Price (as defined in the Indenture) as of redemption date.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2007 B Bond being redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of corporate debt securities of

comparable maturity to the remaining term to maturity of the Series 2007 B to be redeemed.

Extraordinary Redemption

Subject to the provisions of Section 610 of the Indenture, the Series 2007 Bonds are subject to redemption prior to maturity in whole or in part at any time, in such order of maturity as selected by the Authority, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed together with interest accrued to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation which are directed to be deposited in the Redemption Fund established pursuant to the Indenture and applied to such redemption pursuant to the Indenture in the event that the Hospital, or any part thereof, shall have been damaged, destroyed or condemned (or sold under the threat of condemnation) or subject to a title defect, all as more fully described in the Indenture.

Notice of Redemption

When the Trustee shall receive notice from the Authority of its election or direction to redeem Series 2007 Bonds, and when redemption of Series 2007 Bonds is authorized or required, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2007 Bonds, which notice shall specify the Series and maturities of the Series 2007 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2007 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2007 Bonds so to be redeemed, and, in the case of Series 2007 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2007 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2007 Bonds to be redeemed in part only, 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 shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the First Supplemental Indenture or Series Resolution authorizing the Series 2007 Bonds to be redeemed) prior to the redemption date, to the registered owners of any Series 2007 Bonds or portions of Series 2007 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Such notices shall also be given by publication in any Authorized Newspaper not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Failure of the registered owner of any Series 2007 Bonds which are to be redeemed to receive any notice, or failure of the Authority to publish notices of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of the Series 2007 Bonds.

So long as DTC or its nominee is the Registered Owner of the Series 2007 Bonds, notices of redemption shall be sent to DTC and not to any Beneficial Owners of the Series 2007 Bonds.

The Trustee shall also comply with the requirements of DTC to effectuate redemption of the Series 2007 Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

Book-Entry Only System¹

DTC will act as securities depository for the Series 2007 Bonds. The Series 2007 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 bond certificate will be issued in the aggregate principal amount of each series and maturity of the Series 2007 Bonds, in the aggregate principal amount of each such issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 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 2007 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 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants

¹ Source: The Depository Trust Company.

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 the Series 2007 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 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 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 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2007 Bond documents. For example, Beneficial Owners of Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on 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 Series 2007 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2007 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2007 Bond certificates

will be printed and delivered in accordance with the provisions of the Indenture. See “Discontinuance of Book-Entry Only System” below.

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

Neither the Authority nor the Trustee will have any responsibility or obligations to such DTC Participants or the persons for whom they act as nominees with respect to the payments to or providing of notice for the DTC Participants, or the Indirect Participants, or the Beneficial Owners.

So long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Series 2007 Bonds (other than under the caption “TAX MATTERS”) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2007 Bonds.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Series 2007 Bonds, the following provisions would apply: (i) the Series 2007 Bonds may be exchanged for an equal aggregate principal amount of Series 2007 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee, (ii) the transfer of any Series 2007 Bonds may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee together with the duly executed assignment in form satisfactory to the Authority and the Trustee, and (iii) for every exchange or registration of transfer of Series 2007 Bonds, the Trustee may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Series 2007 Bonds. Interest on the Series 2007 Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the fifteenth (15th) day whether or not a Business Day, of the calendar month next preceding an Interest Payment Date.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR OTHER PERSON WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY REDEMPTION OR OTHER NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OF THE SERIES 2007 BONDS; OR (4) ANY OTHER ACTION TAKEN BY DTC OR CEDE AS REGISTERED OWNER OF THE SERIES 2007 BONDS. THE CURRENT “RULES” APPLICABLE TO DTC ARE ON FILE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT “PROCEDURES” OF DTC TO BE FOLLOWED IN DEALING WITH DTC DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

SECURITY FOR THE SERIES 2007 BONDS

General

The Series 2007 Bonds are direct and special obligations of the Authority, payable from the Revenues (as hereinafter defined) and the other moneys, securities, rights and proceeds constituting the Trust Estate (as defined in the Indenture). Under the Indenture, the Authority has pledged the Trust Estate as security for the payment of the principal or Redemption Price of and interest on the Series 2007 Bonds and any Additional Bonds which may hereafter be issued by the Authority (collectively, the “Bonds”), as well as security for the payment of any Financing Facility Payment Obligations (as such term is defined in the Indenture); provided, however, that (i) each Series of Bonds shall be entitled to the benefit of amounts on deposit in its respective account, if any, within the Debt Service Reserve Fund, and no other Bond shall be entitled thereto, (ii) each Series of Bonds with respect to which the Authority has obtained a Financing Facility (as such term is defined in the Indenture) shall be entitled to the benefit of the applicable Financing Facility and Financing Facility Revenues (as such term is defined in the Indenture) and not other Bond shall be entitled thereto, (iii) any moneys which are required to be paid to the Trustee by the City pursuant to the terms of the City Guaranty applicable to any Series of Bonds are pledged solely to secure the payment of the principal of and interest on the Bonds of such series and are not available for any other purpose under the Indenture, and (iv) any moneys which are made available under the terms of any Credit Facility (including the Bond Insurance Policy, which covers only scheduled payments of principal of and interest on the respective series of Bonds) or Liquidity Facility (as such terms are defined in the Indenture) are pledged solely to secure the payment of the principal of and interest on the Bonds so secured and are not available for any other purpose under the Indenture. Such pledge is also, in accordance with the provisions of the Indenture, subject to the provisions of the Indenture providing for the periodic application of amounts in the Revenue Fund to various purposes, including payment of operating expenses of the Hospital. See “SECURITY FOR THE SERIES 2007 BONDS – Periodic Withdrawals from Revenue Fund” and “APPENDIX C – FORM OF INDENTURE OF TRUST AND FIRST SUPPLEMENTAL INDENTURE”. The term “Revenues” as defined in the Indenture includes (a) all revenues, fees, charges, rents, rates, receipts and other charges and other income derived or to be derived by the Authority from or for the ownership, operation, use or services of the Hospital, including all Government Grants, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper instruments or other rights, and the proceeds thereof, (b) any income derived from the investment of funds (other than the Rebate Fund) which are held pursuant to the Indenture (subject to the provisions governing the application of such investment income), and (c) the proceeds of any insurance coverages on and condemnation awards in respect of any assets of the Authority and allocable to losses of operating revenues, income or receipts of the types hereinbefore in this definition mentioned or referred to (including, without limitation, the proceeds of any business interruption or use and occupancy insurance and any portions of any net condemnation awards made in respect of lost revenues or disruptions in the receipt thereof); provided, however, that “Revenues” shall not include (i) any Private Grants with respect to the construction or acquisition of the Project, unless specified and identified for operational costs, (ii) gifts, grants, bequests, donations and contributions theretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income therefrom, to the extent required by such designation or (iii) amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Series 2007 Bonds, unless otherwise provided by

Supplemental Indenture.

THE PAYMENT OF THE PRINCIPAL OF (INCLUDING SINKING FUND INSTALLMENTS, IF ANY) AND INTEREST ON (BUT EXCLUDING REDEMPTION PREMIUM, IF ANY) WITH RESPECT TO THE SERIES 2007 BONDS WILL BE FULLY, UNCONDITIONALLY AND IRREVOCABLY SECURED BY THE HEREINAFTER DEFINED CITY GUARANTY. THE SERIES 2007 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR PAYMENT OF THE SERIES 2007 BONDS. THE AUTHORITY HAS NO POWER TO LEVY OR COLLECT TAXES. THE SERIES 2007 BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) OR ANY OTHER COUNTY OR MUNICIPALITY, OTHER THAN THE AUTHORITY, AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) OR OF ANY OTHER COUNTY OR MUNICIPALITY, OTHER THAN THE AUTHORITY, EITHER LEGAL, MORAL OR OTHERWISE.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING BONDS OF THE AUTHORITY SHALL BE LIABLE PERSONALLY ON SUCH BONDS BY REASON OF THE ISSUANCE THEREOF.

Periodic Withdrawals from Revenue Fund

On the 1st Business Day of each month, the Trustee shall make payments out of any moneys which are on deposit in the Revenue Fund into the following several funds but as to each such fund only within the limitation hereinafter indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

- | | |
|----------------|---|
| <u>First:</u> | Into the respective accounts within the Debt Service Fund <i>pro rata</i> , an amount equal to the Debt Service Requirement, taking into account (i) accrued interest and any amounts in each such account within the Debt Service Fund available to pay interest on the respective series of Series 2007 Bonds on the next Interest Payment Date; (ii) the amount of investment earnings credited to such account within the Debt Service Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to the Indenture; (iii) capitalized interest available to pay interest on the next Interest Payment Date; (iv) any other credit available pursuant to the Indenture, but only to the extent such credit is posted by the 1 st day of such Accounting Period; |
| <u>Second:</u> | To the Authority for deposit into the Operating Fund, for payment of the Authority's Operating Expenses in accordance with its Annual Budget an amount equal to the Operating Fund Requirement; |

- Third: Into the respective accounts within the Debt Service Reserve Fund, *pro rata*, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in each such account within the Debt Service Reserve Fund equal to the respective Debt Service Reserve Requirement taking into account the amount of investment earnings credited to such account within the Debt Service Reserve Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to the Indenture (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Debt Service Reserve Fund Requirement immediately instead of over twelve months);
- Fourth: To the Authority for deposit into the Operating Reserve Fund, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in the Operating Reserve Fund such that the funds on deposit in the Operating Reserve Fund is equal to the Operating Reserve Fund Requirement (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Operating Reserve Fund Requirement immediately instead of over twelve months);
- Fifth: Into the Capital Replacement Fund an amount equal to (x) any lump sum increase to the Capital Replacement Requirement (to the extent provided in the Annual Budget for such Fiscal Year) or (y) otherwise, 1/12 of the annual amount (if any) of the Capital Replacement Requirement as provided in the Annual Budget for such Fiscal Year; and
- Six: To the City, to the extent required to reimburse the City for amounts theretofore advanced by the City pursuant to the City Guaranty.

Disproportional Share Hospital Funds

Disproportional Share Hospital ("DSH") funds are funds set aside by the State to supplement hospitals that serve a disproportionate share of low-income patients. There are two categories of hospitals that receive DSH funds. The first category is a hospital that loses money on its Medicaid and uninsured business, but makes up for the losses with privately insured and Medicare patients. The second category is a hospital that loses money on its Medicaid and uninsured business, but makes up for the losses with some privately insured and Medicare patients, and some DSH funds.

States have flexibility in how they allocate their DSH money. In New Jersey, DSH funds are used primarily to pay for medically uninsured recipients. The current State Medicaid plan permits public hospitals to receive DSH payments in amounts that would be in excess of their non-public counterparts. By converting the Hospital from a non-public to a public hospital, the

Hospital believes that it will be eligible for additional DSH funds. However, there can be no assurance as to the amount of DSH funds, if any, the State will appropriate for the Hospital.

DSH funds currently are comprised of 50% State money and 50% federal money. When the State pays its share of the funds, it becomes entitled to the federal matching funds. Each facility that receives DSH funds is subject to a cap. The "cap" on DSH payments to any particular facility currently equals the cost of services provided to low-income and uninsured patients less the payments received for the care. A facility cannot receive DSH payments in excess of its cap. In the case of the Hospital, the Authority anticipates that the DSH cap will be reduced as its case mix changes and more privately insured patients are attracted. Accordingly, the Authority believes that it is likely that the DSH payments made to the Hospital will decrease over time.

The Authority believes that DSH payments will constitute an important source of Revenues of the Authority for the foreseeable future, and any interruption, reduction (below current estimates) or termination of DSH payments may result in a failure to collect Revenues adequate to meet all of the deposit requirements described under the heading "Periodic Withdrawals from Revenue Fund". While payment of the principal of (including sinking fund installments, if any) and interest on the Series 2007 Bonds will be secured by the City Guaranty (see "City Guaranty" below), any such interruption, reduction or termination may adversely affect the ability of the Authority to continue to operate the Hospital, possibly resulting in an early redemption and/or defeasance of Bonds.

Debt Service Reserve Fund (Series 2007A Bonds)

The Authority has established an account within the Debt Service Reserve Fund as further security for the Series 2007A Bonds. There is, however, no account within the Debt Service Reserve Fund established for the Series 2007B Bonds.

Simultaneously with the delivery of the Series 2007A Bonds, the Series 2007A Account within the Debt Service Reserve Fund will be funded with a portion of the proceeds of the Series 2007A Bonds, as provided for by the Indenture, in an aggregate amount equal to the Debt Service Reserve Requirement (as defined herein). See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Debt Service Reserve Requirement, as of any particular date of calculation, shall be, for the 2007A Bonds, as of the date of calculation, an amount equal to the lesser of (i) the greatest amount required in the then current Bond Year to pay the sum of (a) interest on the Series 2007A Bonds payable on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year, and (b) the principal or sinking fund installment, as the case may be, of the Series 2007A Bonds payable on July 1 of the next succeeding Bond Year; and (ii) ten percent (10%) of the "proceeds" of the Series 2007A Bonds, within the meaning of Section 148(d) of the Code. Notwithstanding anything to the contrary, not more than 10% of the proceeds of the Series 2007A Bonds can be used to satisfy the Debt Service Reserve Requirement for the Series 2007A Bonds.

The moneys deposited by the Trustee from the proceeds of the Series 2007A Bonds into the Series 2007A Account within the Debt Service Reserve Fund at closing will be held in such account and used solely for the purpose of paying the principal of and interest on the Series 2007A Bonds when due and payable, including sinking fund installments, whenever there are insufficient moneys for such purpose in the Series 2007A Account within the Debt Service Fund. Moneys in the Debt Service Reserve Fund will be invested, pending application, in

accordance with the terms of the Indenture. In the event there is a deficiency in the Series 2007A Account within the Debt Service Fund to provide for any withdrawals therefore required by the terms of the Indenture, the Trustee will transfer funds from the Series 2007A Account within the Debt Service Reserve Fund in such amounts as are necessary to make up such deficiency.

In the event that, following any transfer from the applicable account, if any, within the Debt Service Reserve Fund, there remains a deficiency in any account within the Debt Service Fund to make payments due on such date, and such deficiency remains following any transfers from the Capital Replacement Fund and the Operating Reserve Fund as provided in the Indenture then the Trustee is required to obtain funds for the payment of principal of and interest on the applicable Bonds first under the City Guaranty and second under the Policy (as hereinafter defined). See "SECURITY AND SOURCE OF PAYMENT – City Guaranty", "BOND INSURANCE" and "Appendix C – FORM OF INDENTURE OF TRUST AND FIRST SUPPLEMENTAL INDENTURE", herein.

City Guaranty

On January 3, 2007, the City adopted an ordinance which authorized the guaranty (the "City Guaranty") by the City of the payment of the principal of and interest (but not the redemption premium, if any) on not exceeding \$52,000,000 aggregate principal amount of the Series 2007 Bonds. To the extent that Revenues or other funds of the Authority are not available to pay the principal of or interest on the Series 2007 Bonds, the City Guaranty provides that the City is obligated to provide for such payment. Upon the delivery of the Series 2007 Bonds, the Authority will enter into a guaranty agreement with the City and the Trustee evidencing the obligations of the City with respect to the City Guaranty (the "Guaranty Agreement"). See "SECURITY FOR THE SERIES 2007 BONDS – Debt Service Reserve Fund (Series 2007A Bonds)" and "APPENDIX D - CITY GUARANTY ORDINANCE AND FORM OF GUARANTY AGREEMENT."

If, sixty (60) days prior to any date established for the payment of the principal of and/or interest on the Series 2007 Bonds, the Authority gives notice to the City of an anticipated need to draw upon the City Guaranty in order to provide for the full payment of the interest and/or principal which is due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt requested) of the amounts which are necessary to provide for the payment of the principal of and interest on the Series 2007 Bonds. The City shall be obligated to make payment to the Trustee of the amounts referred to above no later than three (3) Business Days prior to said payment date except to the extent the Debt Service Fund otherwise has sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Debt Service Fund. Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision of the Guaranty Agreement, failure by the Trustee to give the City notice as provided therein shall not relieve the City of its obligations to make payment under the terms of the City Guaranty. See, "APPENDIX D – CITY GUARANTY ORDINANCE AND FORM OF GUARANTY AGREEMENT".

The payments which are made by the City under the terms of the City Guaranty will constitute valid, binding, direct and general obligations of the City and are payable out of the first funds becoming legally available for such purpose. In the opinion of Bond Counsel to the

Authority, the City has the power, and is obligated to levy *ad valorem* taxes upon all the taxable property within the City for the purpose of raising funds to make such payments under the terms of the City Guaranty as the same become due, without limitation as to rate or amount, if such funds are not otherwise available. The City Guaranty will remain in full force and effect for as long as the Series 2007 Bonds remain Outstanding.

Operating Reserve Fund

The Authority shall transfer funds on deposit in the Operating Reserve Fund to the Operating Fund at such times and in such amounts as may be required to pay, when due, the amount of any Operating Expenses in excess of the amounts then on deposit in the Operating Fund and available for such payment. Any moneys which are held in the Operating Reserve Fund shall be invested by the Authority in Investment Obligations.

If on any Payment Date amounts held in the Debt Service Fund, the Debt Service Reserve Fund, and the Capital Replacement Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Operating Reserve Fund to the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the lesser of (a) an amount sufficient to eliminate such deficiency, or (b) the excess, if any, of any amounts on deposit in the Operating Reserve Fund over the Operating Reserve Fund Requirement.

Capital Replacement Fund

The Authority shall withdraw amounts from the Capital Replacement Fund and apply the same to the reasonable and necessary expenses of the Authority with respect to the Hospital for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Any moneys which are on deposit in the Capital Replacement Fund shall be invested by the Authority in Investment Obligations.

If on any Payment Date amounts held in the Debt Service Fund and the Debt Service Reserve Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Capital Replacement Fund to the Trustee for deposit into the respective accounts in the Debt Service Fund, *pro rata*, an amount sufficient to eliminate such deficiency.

If on any date all withdrawals or payments which are required to be made from the Capital Replacement Fund by any other provision of the Indenture shall have been made and the amount on deposit in each account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement, and the amount in the Capital Replacement Fund exceeds the Capital Reserve Requirement, the Authority shall withdraw the amount of such excess from the Capital Replacement Fund and shall pay the moneys so withdrawn to the Revenue Fund.

Bond Insurance

The scheduled payment of the principal of and interest (but not redemption premium, if any) on the Series 2007 Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. at the time the Series 2007 Bonds are executed and delivered upon original issuance. See "BOND INSURANCE" below.

Certain Rights of Financial Security Assurance Inc.

Financial Security Assurance Inc. ("Financial Security") shall, to the extent it makes any payment of principal of or interest on the Series 2007 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy (as defined herein).

As long as the Policy is in effect, Financial Security, acting alone, shall have the right to direct all remedies in the event of a default. Financial Security shall be recognized as the registered owner of each bond which it insures for the purpose of exercising all rights and privileges available to bondholders. Financial Security shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder in accordance with applicable provisions governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to Financial Security's prior written consent.

See "APPENDIX C – FORM OF INDENTURE OF TRUST AND FIRST SUPPLEMENTAL INDENTURE" herein for copies of the Trust Indenture and the Supplemental Indenture, which contain additional rights of the Bond Insurer.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2007 Bonds, Financial Security will issue its Municipal Bond Insurance Policy for the Series 2007 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2007 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.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2006, Financial Security's combined policyholders' surplus and

contingency reserves were approximately \$2,581,107,000 and its total net unearned premium reserve was approximately \$1,992,163,000 in accordance with statutory accounting principles. At September 30, 2006, Financial Security's consolidated shareholder's equity was approximately \$3,058,987,000 and its total net unearned premium reserve was approximately \$1,590,538,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series 2007 Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2007 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Series 2007 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in the Official Statement.

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ESTIMATED SOURCES AND USES OF FUNDS FOR THE SERIES 2007 BONDS

The following table sets forth the estimated sources and use of funds relative to the issuance of the Series 2007 Bonds:

	Series 2007A <u>Bonds</u>	Series 2007B <u>Bonds</u>	<u>Total</u>
<u>SOURCES:</u>			
Proceeds of the Series 2007 Bonds	<u>\$40,465,000</u>	<u>\$11,170,000</u>	<u>\$51,635,000</u>
TOTAL SOURCES	\$40,465,000	\$11,170,000	\$51,635,000
<u>USES:</u>			
Deposit to Construction Fund	\$32,094,286		\$32,094,286
Deposit to Operating Fund		\$ 5,000,000	\$ 5,000,000
Capitalized Interest	\$ 3,844,765	\$ 894,505	\$ 4,739,270
Deposit to Series 2007A Account in Debt Service Reserve Fund	\$ 3,564,275		\$ 3,564,275
Deposit to Operating Reserve Fund		\$ 5,000,000	\$ 5,000,000
Costs of Issuance *	<u>\$ 961,674</u>	<u>\$ 275,495</u>	<u>\$ 1,237,169</u>
TOTAL USES:	\$40,465,000	\$11,170,000	\$51,635,000

* Includes fees and expenses of Bond Counsel and the Trustee, Underwriter's discount, bond insurance premium and other associated issuance costs.

THE AUTHORITY

General

The Hoboken Municipal Hospital Authority (the "Authority") was created pursuant to an ordinance of the Municipal Council of the City duly adopted on August 9, 2006 and pursuant to the Act. The Authority is a body corporate and politic constituting an agency and instrumentality of the City and having the power to do anything necessary or convenient to carry out its purposes and exercise the powers granted in the Act.

Pursuant to the Act, the sole purpose of the Authority is to acquire, manage and operate a "hospital" (as such term is defined in the Act). In furtherance of such purpose, the Authority may borrow money and issue its bonds or notes and secure the same by, among other things, a pledge of its revenues and pay for the costs of any capital improvements or equipment related to the operation, maintenance, expansion, renovation, or rehabilitation of that hospital, for any working capital necessary for the operation of that hospital and for any costs related to the issuance of any bonds or notes therefor. Pursuant to the Act, the City may, among other things, unconditionally guarantee the punctual payment of the principal of and interest on any bonds or

notes issued by the Authority. Furthermore, pursuant to the Act, although the Authority must maintain primary responsibility for the operation of the hospital, it must exercise its powers and duties to manage and operate the hospital through a contract with a nonprofit manager retained by the Authority.

The Authority's fiscal year is the twelve (12) month period ending December 31 of any year, or such other twelve (12) month period which the Authority may establish by resolution.

The daily business of the Authority is presently conducted by its Executive Director, George W. Crimmins.

The Authority's mailing address is City Hall, 94 Washington Street, Hoboken, New Jersey 07030.

Employees

The Authority currently has no employees.

Management

The Authority is governed by an 11-member board including the Mayor of the City and the hospital chief executive officer or their designees.

The current members of the Authority Board of Commissioners, their positions and the respective dates of commencement and expiration of their terms are set forth below:

Members

Name	Position Held	Commencement of Term	Expiration
James F. Caulfield	Chairman	9/20/06	6/30/11
Camille Corea	Secretary	9/20/06	6/30/10
Alfred O. Fayemi, M.D.	Member	9/20/06	Concurrent with membership on medical staff executive committee
Harvey A. Holzberg	Member	Ex-Officio	Concurrent with term as Chief Executive Officer
Eric Lawton	Member	9/20/06	6/30/09
Kevin Kramer	Member	9/20/06	6/30/07
Michele Richardson	Member	Ex-Officio	Designated by New Jersey Dept. of Community Affairs
Mayor David Roberts	Member	9/20/06	Concurrent with term as Mayor (currently 6/30/07)
Joseph Kozel, M.D.	Commissioner	12/03/06	Concurrent with membership on medical staff executive committee
Frederick J. Tomkins	Treasurer	9/20/06	6/30/08
E. Norman Wilson	Member	9/20/06	6/30/11

Authority Indebtedness

The Authority has no outstanding indebtedness, other than the Series 2007 Bonds.

Operations

Pursuant to the Act, the Authority's operations are limited to the acquisition, management and operation of the Hospital, including financing costs relating thereto and to capital improvements of the Hospital. Management and operation of the Hospital will be provided by the Manager under the terms of the Master Manager and Operator Agreement. See "THE MANAGER" herein.

THE HOSPITAL

Founded in 1863, St. Mary Hospital (now known as Hoboken University Medical Center, the “Hospital”) is the oldest hospital in New Jersey and is situated in the most densely populated part of the State. Hoboken has changed from a typical northeastern urban area once dependent on shipping and manufacturing, to a thriving town of luxury high-rise residences, corporate headquarters and Wall Street back-room services, cafes and restaurants that rival the big city across the river. Surrounding communities offer a blend of similar gentrification and long-term residents, along with less affluent inner city residents including newcomers from many lands (largely Hispanic and Middle Eastern).

The Authority, simultaneously with the issuance of the Series 2007 Bonds, is expected to acquire substantially all of the assets comprising the Hospital from Bon Secours Health System, Inc. (“Bon Secours”). The purchase price for the assets is \$1.00. In addition, pursuant to the Act, Bon Secours will provide a minimum of \$12 million in working capital contributions to the Authority. The Hospital currently qualifies for DSH funds. However, there can be no assurance as to the amount of DSH funds, if any, the State will appropriate for the Hospital. See “SECURITY FOR THE SERIES 2007 BONDS – Disproportionate Share Hospital Funds” herein.

The Hospital will continue to provide basic health services, such as emergency care, obstetrics, surgery, pediatrics, podiatrics, and psychiatry, as well as an array of medical diagnoses and treatments, including radiology, cardiology and cancer care. Construction of a larger and more efficient emergency department is expected to affect finances in a positive way. More than 40 percent of hospital admissions come through the emergency department. The current emergency care area was designed for 18,000 patient visits a year, is now handling about 30,000, and is unable to handle increasing demands.

Under the ownership of Bon Secours, St. Mary’s Hospital has experienced substantial operating losses in recent years. In recent months, however, the Hospital has significantly improved its bottom line, and the Manager expects that under Authority ownership, the Hospital will continue this positive trend. The reasons for the progress already made include efficiencies already put into place and elimination of costs associated with corporate obligations. A return to local control and expanded marketing programs are also expected to increase cost effectiveness. Physicians anticipating the transfer of ownership of the Hospital to the Authority and the improvements to be funded by the Series 2007 Bonds, have significantly increased their activity at the Hospital.

In addition to the higher census and lowered costs, the Hospital’s expected positive operating margin will be due to a higher level of funding from New Jersey’s Disproportionate Share Hospital (DSH) Program. The DSH program is funded 50% by the federal government and 50% by the State and allows for payments to be made to hospitals that serve disproportionate numbers of low-income patients with special needs. In New Jersey, although many inner city hospitals derive some income through the DSH program, public hospitals are paid for services to a broader group of patients and, therefore, generally receive significant DSH payments. As its regular patient income improves, the Hospital expects to become less reliant on DSH funds to meet its operating budget, and expects to use DSH funds for reserves and capital improvements. See “SECURITY FOR THE SERIES 2007 BONDS – Disproportionate Share Hospital Funds” herein.

THE FACILITIES

The main Hospital building, located at 308 Willow Avenue, is a seven story structure, approximately 300,000 square feet, currently licensed for 358 acute care beds and 6 bassinets. The Hospitals medical staff currently includes 468 physicians, of which 382 are active members.

In addition to the main Hospital building, the Authority will acquire, with proceeds of the Series 2007 Bonds a 25,565 square foot Medical Clinic building located at 122-132 Clinton Street and a 5,300 square foot office building located at 4th Street and Willow Avenue. Proceeds of the Series 2007 Bonds will also be used to make various capital improvements to the main Hospital building and to certain leased office space. See “PURPOSE OF THE SERIES 2007 BONDS” herein.

The foregoing acquisitions will be effectuated pursuant to an Asset Transfer Agreement, dated as of February 1, 2007, among St. Mary Hospital, Inc., Bon Secours, the Authority and the Manager (the “Asset Transfer Agreement”). The Asset Transfer Agreement contains various representations, warranties, covenants and other undertakings of the parties, including certain indemnifications and required payments. See, for example, “RISK FACTORS – Payments Upon Sale or Closure” herein.

THE MANAGER

As required by the Act, the Hospital must be managed and operated by a nonprofit manager. The Authority has entered into a Master Manager and Operation Agreement dated February 1, 2007 (the “Master Manager and Operator Agreement”) with Hudson Healthcare, Inc. (the “Manager”), a recently formed New Jersey non-profit corporation. The five members of the Board of Directors of the Manager are: Ronald F. DiVito, Harvey A. Holzberg, Fred DeSanti, Andrew Leitner, and Andrew Greene. Andrew Leitner was appointed, as required by the Act, by Governor Jon S. Corzine. As part of the acquisition of the Hospital, numerous contracts in regard to the operations of the Hospital will be assigned to the Manager. The Manager will enter into consulting agreements with Harvey A. Holzberg, LLC to provide the services of Harvey A. Holzberg as the chief executive officer of the Hospital and with Medical Support Systems, Inc. to provide the services of Mr. DiVito as the chief financial officer of the Hospital. Mr. Holzberg was previously the CEO of Robert Wood Johnson University Medical Center in New Brunswick, New Jersey. Mr. DiVito was previously an insurance executive with Aetna Insurance and Empire Blue Cross.

The Manager has filed a request with the Internal Revenue Service for a determination letter that it is a corporation described in Section 501(c)(3) of the Code. The agreement between the Manager and the Authority provides that the Manager shall be a single purpose entity, whose sole purpose will be to manage and operate the Hospital and that the payments from the Authority to the Manager will be equal to the expenses incurred by the Manager in managing and operating the Hospital. If the agreement between the Authority and the Manager is terminated for any reason, the agreement provides that all contracts assumed by or entered into by the Manager will be transferred at the direction of the Authority to a successor non-profit entity designated by the Authority to operate and manage the Hospital.

RISK FACTORS

The discussion herein of risks to the Holders of the Series 2007 Bonds is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Series 2007 Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal office of the Trustee.

General

The Series 2007 Bonds are special, limited obligations of the Authority, payable solely out of the Revenues and other receipts, funds or moneys of the Authority pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of the Series 2007 Bonds. Neither the State of New Jersey, any political subdivision thereof (other than the City, to the extent of the City Guaranty) or any other political subdivision of the State is obligated to pay, and neither the faith and credit nor taxing power of the State of New Jersey, any political subdivision thereof (other than the City, to the extent of the City Guaranty) or any other political subdivision of the State is pledged to the payment of the principal or Redemption Price of or interest on the Series 2007 Bonds. The Authority has no taxing power.

Adequacy of Revenues

The Series 2007 Bonds are payable solely from the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate, equally and ratably with any Additional Bonds hereafter issued under the Indenture and any Financing Facility Obligations hereafter entered into by the Authority in connection with any Bonds. No representation or assurance can be made that Revenues will be realized by the Authority in amounts sufficient to pay maturing principal of, premium, if any, and interest on the Series 2007 Bonds. The ability of the Authority to make payments on the Series 2007 Bonds depends, among other things, upon the capability of management of the Manager and the ability of the Manager to maximize revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from their operations to meet such obligations. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Authority to make payments in amounts sufficient to meet its obligations under the Series 2007 Bonds. This discussion is not, and is not intended to be, exhaustive.

Future statutory amendments or changes to regulations promulgated thereunder pertaining to the various third party reimbursement programs, economic conditions including the demand for health care services, the ability of the Authority to provide services required by patients, physicians' confidence in the Manager, competition from other health care facilities in the Hospital's service area, various third-party reimbursement programs, including Medicare and Medicaid, private insurers and HMOs and PPOs, future federal and State funding of health care reimbursement programs and future economic and other conditions that are unpredictable also affect the ability of the Authority to make payments under the Series 2007 Bonds. No assurances can be given that patient utilization or revenues available to the Authority from its operations will remain stable or increase. The Authority expects that it will experience increases in

operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased patient and other charges in amounts sufficient to generate an excess of revenues over expenses.

The ability of the Authority to make required payments on the Series 2007 Bonds is subject to, among other things, the capabilities of the management of the Manager and future economic and other conditions, which are unpredictable and which may affect revenues and, in turn, the payment of principal of, premium, if any, and interest on the Series 2007 Bonds. Future revenues and expenses of the Authority will be affected by events and conditions relating generally to, among other things, demand for the Hospital's services, its ability to provide the services required by patients, physicians' relationships with the Hospital, management capabilities, the design and success of the Manager's strategic plans, economic developments in the service area, the Manager's ability to control expenses, maintenance by the Manager of relationships with HMOs and PPOs, competition, rates, costs, third-party reimbursement, legislation and governmental regulation. Federal and State funding statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events and circumstances may occur which cause variations from the Authority's expectations, and the variations may be material. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE AUTHORITY OR UTILIZATION OF ITS FACILITIES WILL BE SUFFICIENT TO ENABLE THE AUTHORITY TO MAKE PAYMENTS ON THE SERIES 2007 BONDS.

The future financial condition of the Authority could be affected adversely by, among other things, legislation, regulatory actions, economic conditions, increased competition from other health care providers, changes in the demand for health care services, demographic changes, malpractice claims and other litigation. The following factors, among others, may unfavorably affect the operations of health care facilities, including those of the Authority, to an extent and in a manner that cannot be determined at this time:

1. Employee strikes and other adverse actions that could result in a substantial reduction in revenues with corresponding decreases in costs.
2. Reduced need for hospitalization or other services arising from future medical and scientific advances.
3. Reduced demand for the services of the Hospital that might result from decreases in population of the service area of the Institution.
4. Increased unemployment or other adverse economic conditions in the service area of the Hospital which could increase the proportion of patients who are unable to pay fully for the cost of their care.
5. Cost, availability and sufficiency of any insurance such as medical malpractice, fire, worker's compensation, automobile and general comprehensive liability and property damage that health care facilities of a similar size and type generally carry.
6. Adoption of legislation which would establish a national health care program.
7. Cost and availability of energy.

8. Potential depletion of the Medicare trust fund.
9. The occurrence of terrorist activities or natural disasters, including floods and earthquakes, may damage the facilities of the Hospital, interrupt utility service to the facilities, or otherwise impair the operation of the Hospital and the generation of revenues from the facilities.
10. Technological advances in recent years have accelerated the trend toward the use of sophisticated diagnostic and treatment equipment in hospitals.
11. Other risk factors may also affect the operations of the Hospital: (a) uninsured acts of God; (b) increased costs and possible liability exposure arising out of potential environmental hazards; and (c) imposition of wage and price controls for the health care industry.
12. Developments adversely affecting the federal or State tax-exemption of municipal bonds.
13. Changes in the governmental requirements concerning how patients are treated.

There has not been any independent investigation made regarding the extent to which any such factors may have an adverse impact on the financial condition of the Authority. No representation or assurance can be given that the Authority will generate revenues sufficient to allow payment of debt service on the Series 2007 Bonds when due.

Notwithstanding the foregoing, however, the payment of the principal of and interest on the Series 2007 Bonds is unconditionally guaranteed by the City pursuant to the City Guaranty. While payment of the principal of (including sinking fund installments, if any) and interest on the Series 2007 Bonds will be secured by the City Guaranty, any insufficiency of Revenues to meet expenses of the Authority (including debt service) may adversely affect the ability of the Authority to continue to operate the Hospital, possibly resulting in an early redemption and/or defeasance of Bonds.

Licensing, Surveys, Accreditations and Audits

On a regular basis, health care facilities, including those of the Authority, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors, the Joint Commission on Accreditation of Healthcare Organizations, the National Labor Relations Board and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations is based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Hospital. These activities are generally conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation, third party payor contracts or reduction in payments received. The Authority currently expects to renew or

maintain all currently held licenses, certifications or accreditations. There can be no assurance that the requirements of present or future laws, regulations, certifications, licenses or third party payor contracts will not materially and adversely affect the future operations of the Authority.

The Internal Revenue Service (the “IRS”) and State, county and local taxing authorities audit and investigate hospital operations. These audits may result in disputes about issues ranging from sales tax collections to qualifications of a hospital's exemption from property or income taxation. The IRS undertakes audits and reviews of the operations of tax-exempt organizations (such as the Manager, upon receipt of its determination letter from the IRS) with respect to such matters as their generation of unrelated business taxable income or relating to inurement of or under private benefit to non-501(c)(3) entities, proper classification of workers as employees, and joint ventures. In some cases, the tax-exempt status of hospitals has been questioned as a result of activities deemed to violate the tax laws or other statutes. In addition, the OIG also undertakes audits and reviews of Medicare billing practices and other regulatory matters. In some cases, hospitals have incurred substantial liabilities including interest and penalties as a result of the findings of such audits.

Certificate of Need

State law requires a health care facility, under certain circumstances, to obtain a Certificate of Need from the DHSS prior to the initiation of certain new health care services, bed additions, bed reductions, or conversions, and certain transfers of ownership. The existence of Certificate of Need requirements tends to inhibit hospitals from initiating certain types of projects or services which might enhance their competitive position or revenue sources. Over the past several years, relaxation of Certificate of Need rules have allowed health care providers to expand activities without adhering to the more rigorous requirements previously imposed. One of the purposes of these changes is to increase opportunities for competition in the health care market. Although these changes may increase the Hospital's opportunities to provide additional services, they also may increase its exposure to competition from other health care providers.

Event of Taxability

If the Authority (or, following the Conversion Date, the Manager) do not comply with certain covenants generally related to restrictions on use of its facilities, arbitrage limitations, rebate of certain excess investment earnings, and restrictions on the amount of issuance costs financed with the proceeds of the Series 2007A Bonds, or if certain representations or warranties made by the Authority (or, following the conversion date, the Manager) in certain certificates or agreements are false or misleading, the interest payable on the Series 2007A Bonds (following the Conversion Date) may become includable in the gross income of the owners of the Series 2007A Bonds for purposes of federal income taxation retroactive to the Conversion Date for the Series 2007A Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2007A Bonds should become includable in the gross income of the owners of the Series 2007A Bonds for purposes of federal income taxation, the Indenture does not provide for the redemption of the Series 2007A Bonds or the acceleration of the payment of debt service on the Series 2007A Bonds or for an increase in the rates of interest on the Series 2007A Bonds, although violation of any such tax covenant may give rise to an event of default for which acceleration is a possible remedy.

Enforceability of Lien on Revenues

To the extent that Revenues are derived from payments by the federal government under the Medicare or Medicaid programs, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care of the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940 which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and revenues not subject to the lien, or where such lien was unenforceable, the Authority would occupy the position of an unsecured creditor. Bond Counsel has not provided an opinion with regard to the enforceability of the lien on Revenues of the Authority, where such Revenues are derived from the Medicare and Medicaid programs.

Maintenance of 501(c)(3) Status

The federal tax-exempt status of the Series 2007A Bonds following the Conversion Date may depend upon maintenance by the Manager of its status as an organization described in Section 501(c)(3) of the Code. As a condition to the Conversion Date (if the Series 2007A Bonds are to constitute “qualified 501(c)(3) bonds” under the Code), the Manager will have been determined to be a tax-exempt organization described in Section 501(c)(3) of the Code. To maintain such status, the Manager must conduct its operations in a manner consistent with representations made to the IRS and with current and future IRS regulations and rulings governing tax-exempt health care facilities.

The IRS conducts in depth reviews of the tax-exempt status of health care providers. Recently, IRS has begun more carefully to scrutinize joint ventures between tax-exempt hospitals and physicians or other for-profit entities. On a number of occasions, IRS has concluded that such arrangements impermissibly benefit private parties, resulting in private inurement, excessive private benefit, or violations of the anti-referral provisions of the Medicare fraud and abuse laws. In recent litigation, a federal circuit court denied tax-exempt status to a hospital affiliate involved in a joint venture with a for-profit entity. Citing lack of control by the affiliate and failure of the venture to achieve charitable objectives, the court ruled that the joint venture resulted in undue private benefit. If any of the ventures or other arrangements of the Manager were determined to result in private inurement, excessive private benefit or a violation of the Anti-Kickback Statute, the Manager could lose its tax-exempt status.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Authority to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2007 Bonds. Although the Manager will (if the Series 2007A Bonds are to constitute “qualified 501(c)(3) bonds” under the Code) covenant to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on such organization and its operations and could result in the inclusion of interest on the Series 2007A Bonds following the Conversion Date in gross income for federal income tax purposes retroactive to their date of Conversion. See the caption “TAX MATTERS” herein.

The tax-exempt status of nonprofit corporations, and the exclusion of income earned by them from taxation, has been the subject of review by various federal, state and local legislative,

regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit corporations.

In addition to the foregoing proposals with respect to income of nonprofit corporations, various state and local governmental bodies in certain parts of the country have challenged the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various nonprofit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institutions or that the institution did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. Since such actions and proposals have been made, they have been vigorously challenged and contested. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Authority by requiring the Authority and/or the Manager to pay income or real estate taxes.

The Subcommittee on Oversight of the United States House of Representatives Ways and Means Committee is currently considering options and recommendations in the area of taxation of unrelated business income of nonprofit corporations. Hearings have been held on these options and recommendations, and legislation may be drafted to clarify and strengthen existing law with respect to unrelated business income tax. The scope and effect of legislation, if any, which may be adopted at the federal and state levels with respect to unrelated business income, cannot be predicted. Any such legislation could have the effect of subjecting a portion of the income of the Manager to federal or state income taxes.

Other legislative changes or judicial actions with respect to matters relating to the tax-exempt status of nonprofit corporations, including the provision of free care to the indigent and the exemption from property taxes of such corporations, could be enacted. There can be no assurance that the future changes in federal, state or local laws, rules, regulations and policies governing tax-exempt entities will not have adverse effects on the future operations of the Authority.

Payments Upon Sale or Closure

As described above under the heading “THE FACILITIES”, the Authority is acquiring certain assets, including the main Hospital campus and two additional buildings, from Bon Secours. As a condition to such acquisition, the Asset Transfer Agreement provides that, if during the eight year period following the date of delivery of the Series 2007 Bonds the Hospital is closed for any reason and the main Hospital campus and/or the parking garage attached to the main Hospital campus (which garage is owned by the City and was previously leased to Bon Secours) is sold, conveyed or otherwise transferred to a third party or is used by the Authority or the Manager for purposes other than the provision of health care services to a broad spectrum of the communities served by the Hospital, then in either such event the Authority shall be required to pay to Bon Secours an amount calculated as provided in the Asset Transfer Agreement (the “Payment Upon Sale or Closure”). The Payment Upon Sale or Closure is computed generally with reference to a percentage of the “net proceeds” or “net appraised value” of the property, after first deducting, *inter alia*, any unpaid and outstanding indebtedness incurred by the

Authority as evidenced by Bonds (including the Series 2007 Bonds) and any amounts paid by the City pursuant to the City Guaranty.

In the event of a closure of the main Hospital campus and/or the attached parking garage which does not take place in conjunction with a sale thereof, the Authority will be required to make a payment to Bon Secours in an amount equal to a portion of the net appraised value thereof. There can be no assurance that funds available to the Authority will, after making any such required payment to Bon Secours, be sufficient to pay debt service on the Series 2007 Bonds. In such event, and in the absence of continuing Revenues from the operation of the Hospital, recourse to the City Guaranty will likely be required in order to pay principal of and interest on the remaining Series 2007 Bonds.

Governor's Commission on Hospitals

On October 12, 2006, Governor John Corzine signed an Executive Order creating a special 11-member commission (the "Commission") to study the State's 81 acute care hospitals and assess whether the facilities are necessary. The Commission will perform the following functions:

1. Assess the financial and operating condition of New Jersey's acute care hospitals and analyze the characteristics of the state's most financially distressed hospitals to identify common factors contributing to their distress.
2. Map existing health services statewide, project future demand for physicians, hospitals, federally qualified health centers and other ambulatory care providers, and compare future demand with existing capacity.
3. Develop criteria for the identification of essential general acute care hospitals in New Jersey to determine whether a financially distressed hospital at risk of closing is essential to maintaining access to hospital care for the residents of New Jersey.
4. Develop criteria for the appropriate level of oversight and accountability where state assistance is being provided to financially distressed hospitals.
5. Develop and publish a State Health Care Resource Allocation Plan that promotes the rational use of state and private health care resources, labor, and technology and serves as the basis for reviewing and approving the development and/or redeployment of health care assets and services around the state.
6. Make recommendations to strengthen state oversight and ensure greater accountability of state resources.
7. Issue a written report of its findings and recommendations no later than June 1, 2007 to the Governor, Senate President, Senate Minority Leader, Assembly Speaker, and Assembly Minority Leader.

The Commission is to issue its recommendations in June 2007. There can be no assurances that the Commission will not issue recommendations that may adversely impact the future operation of the Hospital.

DEBT SERVICE REQUIREMENTS*

Maturity	Series 2007 A Principal	Series 2007 A Interest	Series 2007 B Principal	Series 2007 B Interest	Total Debt Service Schedule
7/1/2007	-	969,474	-	262,331	1,231,804
1/1/2008	-	1,163,369	-	314,797	1,478,165
7/1/2008	-	855,961	2,300,000	314,797	3,470,758
1/1/2009	-	855,961	-	252,582	1,108,543
7/1/2009	-	855,961	2,850,000	252,582	3,958,543
1/1/2010	-	855,961	-	175,062	1,031,023
7/1/2010	1,850,000	855,961	-	175,062	2,881,023
1/1/2011	-	819,886	-	175,062	994,948
7/1/2011	1,920,000	819,886	-	175,062	2,914,948
1/1/2012	-	783,406	-	175,062	958,468
7/1/2012	1,995,000	783,406	-	175,062	2,953,468
1/1/2013	-	745,003	-	175,062	920,064
7/1/2013	2,070,000	745,003	-	175,062	2,990,064
1/1/2014	-	704,638	-	175,062	879,699
7/1/2014	2,155,000	704,638	-	175,062	3,034,699
1/1/2015	-	662,076	-	175,062	837,138
7/1/2015	2,240,000	662,076	-	175,062	3,077,138
1/1/2016	-	617,276	-	175,062	792,338
7/1/2016	2,325,000	617,276	-	175,062	3,117,338
1/1/2017	-	570,195	-	175,062	745,257
7/1/2017	2,420,000	570,195	-	175,062	3,165,257
1/1/2018	-	520,585	-	175,062	695,647
7/1/2018	2,520,000	520,585	-	175,062	3,215,647
1/1/2019	-	468,295	-	175,062	643,357
7/1/2019	2,625,000	468,295	-	175,062	3,268,357
1/1/2020	-	412,514	-	175,062	587,575
7/1/2020	2,735,000	412,514	-	175,062	3,322,575
1/1/2021	-	353,028	-	175,062	528,089
7/1/2021	2,855,000	353,028	-	175,062	3,383,089
1/1/2022	-	289,504	-	175,062	464,565
7/1/2022	2,980,000	289,504	-	175,062	3,444,565
1/1/2023	-	222,454	-	175,062	397,515
7/1/2023	3,115,000	222,454	-	175,062	3,512,515
1/1/2024	-	152,366	-	175,062	327,428
7/1/2024	3,255,000	152,366	-	175,062	3,582,428
1/1/2025	-	78,315	-	175,062	253,377
7/1/2025	3,405,000	78,315	-	175,062	3,658,377
1/1/2026	-	-	-	175,062	175,062
7/1/2026	-	-	6,020,000	175,062	6,195,062
	40,465,000	21,211,728.96	11,170,000	7,349,181	80,195,910.26

* This Debt Service Requirements Schedule assumes that the Series 2007A Bonds will bear interest at the Initial Taxable Rate of 5.75% until January 1, 2008 and thereafter convert to the Tax-Exempt Rates.

DISSOLUTION OF AUTHORITIES

The Local Authorities Fiscal Control Law also permits the governing body of the municipality, by ordinance, to dissolve an authority it has created, except that the ordinance shall be approved by the Local Finance Board prior to adoption. The Local Finance Board shall approve the dissolution if it finds that the ordinance makes adequate provision in accordance with a bond resolution or otherwise for the payment of all creditors or obligees of the authority and that adequate provision is made for the assumption of those services provided by the authority which are necessary for the health, safety and welfare of the recipients of those services. In the event that an authority has obligations outstanding at the time of the taking effect of the ordinance to dissolve the authority, the municipality dissolving the authority is authorized to issue obligations in furtherance of the dissolution, which obligations shall be sold under the direction and supervision of the Local Finance Board.

The Local Authorities Fiscal Control Law was recently amended to provide that, in connection with a dissolution of an authority by the municipality which created it (as described in the preceding paragraph), in lieu of the municipality issuing its obligations in furtherance of the dissolution, either the municipality or another existing authority which serves the municipality may assume the responsibility for and payment of the obligations of the authority being dissolved. No such assumption shall be effective, however, until the assuming municipality or authority determines by resolution that such assumption will be a cost effective means of meeting those obligations compared with the issuance of obligations of the municipality or existing authority, and the municipality (and, if applicable, the existing authority assuming such obligations) holds a public hearing on the question of such assumption. In order to make adequate provision for the payment of outstanding obligations of an authority being dissolved, the assuming municipality or authority is authorized, for so long as any bonds issued by the authority being dissolved remain outstanding, to exercise directly all of the powers of such authority, as if it had not been dissolved, as appropriate and necessary to comply with the terms of any bond indenture or to assure that the security of the holders of such authority's obligations shall not be adversely affected by the assumption of such obligations by the municipality or existing authority.

The above references to the statutes relating to the termination or dissolution of authorities are not to be construed as an indication that the Authority or the City expect to utilize any of these provisions.

LITIGATION

The Authority

In the opinion of Joseph S. Sherman, Esq., Hoboken, New Jersey, acting general counsel to the Authority, who is also Corporation Counsel to the City ("Authority's Counsel"), there is no controversy or litigation of any nature now pending or threatened against the Authority, to restrain or enjoin the issuance, sale, execution or delivery of the Series 2007 Bonds or the security pledged therefore, or in any way questioning or affecting the validity of the Series 2007 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof or the pledge or application of any moneys or securities provided for the payment of the Series 2007 Bonds. In addition, there is no controversy or litigation of any nature now pending or

threatened, (i) which challenges the existence or powers of the Authority, (ii) which would have a material adverse effect on the Project, the Plan of Finance or the Facilities or the collection of Revenues therefor, (iii) which would affect the results of operations or the financial condition of the Authority, the Facilities, or the Project or Plan of Finance, or (iv) which would affect the validity or enforceability of the Guaranty Agreement. See “LITIGATION – Certain Litigation” herein.

The City

There is not now pending or threatened any litigation contesting the adoption and validity of the ordinance authorizing the City Guaranty or any of the proceedings taken by the City or the entering into the City Guaranty or the Guaranty Agreement. In the opinion of Joseph S. Sherman, Corporation Counsel to the City, (“Corporation Counsel”), there is no litigation pending that would have a material adverse effect on the financial condition or the results of operations of the City or the ability of the City to pay, if required, principal of and interest on the Series 2007 Bonds under the terms of the City Guaranty and the Guaranty Agreement.

Certain Litigation

On December 8, 2006, a Complaint was filed in the Superior Court of New Jersey, Law Division (Hudson County) by Elizabeth Mason, a resident of the City, against the Authority, the Board of Directors of the Authority, the Executive Director of the Authority, the City and the Clerk of the City, alleging various violations of State laws governing public records and public meetings. In such lawsuit, the plaintiff alleges that (i) certain meetings of the Authority held on September 28, 2006 and October, 25 2006 (the “Contested Meetings”) were conducted in violation of the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq. (the “OPMA”), because of, inter alia, alleged failures to publish adequate advance notice thereof and alleged failure to make available to the public the minutes thereof, (ii) certain requested documents were not provided to the plaintiff upon request in accordance with the Open Public Records Act, N.J.S.A. 47:1A-1 et seq., and common law, and (iii) certain requested original documents were improperly destroyed in violation of the Destruction of Public Records Law, N.J.S.A. 47:3-15 et seq. Among other claims for relief, the plaintiff seeks to void “all actions of the [Authority] and the [Authority’s Board of Directors] taken in pursuant [*sic*] of, in connection with, or resulting from any of the topics, issues, items, or matters raised or discussed at the Contested Meetings. The lawsuit does not specifically challenge the validity of any actions of the City (other than to the extent City officials may have acted in respect of Authority notices, meetings and records), and no specific allegations are made regarding the City Guaranty or any other official actions of the City.

The defendants have not yet filed an Answer and no discovery has yet been taken. The defendants have engaged Ira Karasick, Esq., Montclair, New Jersey, as special litigation counsel for the defense of the lawsuit (“Special Counsel”). The Authority intends to vigorously defend its position and the validity of all of its actions. Based on his analysis of the Complaint and the facts alleged therein, Special Counsel is of the opinion that a final resolution of this lawsuit will not affect the validity of the Series 2007 Bonds or the enforceability of the Indenture, the City Guaranty, the Guaranty Agreement, the Asset Transfer Agreement or the Master Manager and Operator Agreement.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance, sale and delivery by the Authority

of the Series 2007 Bonds to the Underwriter is subject to the approval of legality by Gluck Walrath LLP, Bond Counsel to the Authority, the form of whose legal opinion as to the validity of the Series 2007 Bonds is attached as APPENDIX F hereto. Certain legal matters will be passed on for the Authority by Authority's Counsel, for the City by City Counsel and for the Underwriter by its counsel, DeCotiis, Fitzpatrick, Cole & Wisler, LLP, Teaneck and Trenton, New Jersey.

The various legal opinions and/or certifications to be provided to be delivered concurrently with the delivery of the Series 2007 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorneys do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Further, the rendering of an opinion and/or certification does not guarantee the outcome of any legal dispute that may arise out of the transaction.

PLEDGE OF THE STATE NOT TO LIMIT POWERS OF AUTHORITY OR RIGHTS OF BONDHOLDERS

The Act sets forth the pledge, covenant and agreement of the State that it will not limit or alter the rights or powers vested by the Act in the Authority to, *inter alia*, fix, establish, charge and collect its Revenues and to perform and fulfill the terms of any agreements made with holders of bonds or other obligations of the Authority so as to in any way impair the rights and remedies of such holders, until such bonds or other obligations, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged or provided for.

SECONDARY MARKET DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the Authority will, prior to the issuance of the Series 2007 Bonds, enter into a continuing disclosure agreement with the Trustee, as dissemination agent, and the City, substantially in the form set forth in Appendix G hereto, to provide certain financial information and operating data relating to the Authority and the City, and to provide notices of the occurrence of certain enumerated events, if material.

Requests for information, data and notices pursuant to this section should be directed to the Authority's Executive Director, George Crimmins, 94 Washington Street, Hoboken, New Jersey 07030.

In the event that either the Authority or the City fails to comply with its respective undertaking, neither the Authority nor the City shall be liable for monetary damages, remedy being specifically limited to specific performance of the covenants contained in its written undertaking.

Neither the Authority nor the City has failed to comply, in all material respects, with any previous undertakings pursuant to the Rule.

LEGALITY FOR INVESTMENT

Under the Act, the Series 2007 Bonds are securities in which the State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking or investment business, all insurance companies, insurance associations and other persons carrying on an insurance business; and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds, including the Series 2007 Bonds, and such bonds will be authorized security for any and all public deposits.

TAX MATTERS

Series 2007A Bonds (Prior To Conversion) and Series 2007B Bonds

General

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Series 2007A Bonds (prior to conversion) and the Series 2007B Bonds by the original purchasers of the Series 2007A Bonds and the Series 2007B Bonds. This discussion is based upon the Code, regulations, rulings and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect, and does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. This discussion assumes that the Series 2007A Bonds and the Series 2007B Bonds will be held as “capital assets” under the Code and that the Series 2007A Bonds and the Series 2007B Bonds are owned by U.S. Holders (as defined below). Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Series 2007A Bonds and the Series 2007B Bonds.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a court within the United States and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest Income

INTEREST ON THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND INTEREST ON THE SERIES 2007B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The Authority will report annually (or more frequently if required) to owners of record and to the Internal Revenue Service in respect of interest paid on the Series 2007A Bonds (prior to conversion) and the Series 2007B Bonds.

Backup Withholding

Under the Code, payments on the Series 2007A Bonds (prior to conversion) and the Series 2007B Bonds may, under certain circumstances, be subject to “backup withholding” at a rate equal to the fourth lowest rate of tax applicable under Section 1(c) of the Code to unmarried individuals for calendar years 2007 to 2010 and at the rate of 31% thereafter. This withholding generally applies if the owner (i) fails to furnish such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide such owner’s securities broker with a certified statement, signed under penalties of perjury, that the TIN is correct and that such Bondholder is not subject to backup withholding. Owners of the Series 2007A Bonds and the Series 2007B Bonds should consult their own tax advisors as to their qualification for exemption for backup withholding and the procedures for obtaining the exemption.

Miscellaneous

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Series 2007 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Series 2007 Bonds should consult their own tax advisors with respect to the consequences of owning Series 2007 Bonds, including the effect of such ownership under applicable state and local laws.

IRS CIRCULAR 230 DISCLAIMER REGARDING THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND THE SERIES 2007B BONDS: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND THE SERIES 2007B BONDS ARE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.

Series 2007A Bonds (After Conversion)

General

After the Conversion Date, subject to certain conditions precedent as described herein (including the delivery of a Favorable Tax Opinion), assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to the Series 2007A Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the Conversion Date, interest received by holders of the Series 2007A Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed by Section 55 of the Code. However, interest on the Series 2007A Bonds may become taxable retroactively if certain requirements under the Code are not complied with. For corporate holders, interest on the Series 2007A Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability. If the conditions precedent to conversion are not satisfied with respect to the Series 2007A Bonds, the interest on such Series 2007A Bonds will continue to be includible in gross income for federal income tax

purposes.

The Code contains a number of provisions that apply to the Series 2007A Bonds (after conversion), including restrictions relating to the use or investment of the proceeds of the Series 2007A Bonds (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2007A Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Series 2007A Bonds (after conversion) not being excludable from gross income for federal income tax purposes retroactive to the date of conversion. The Authority and the Manager have covenanted to comply with these requirements from and after the Conversion Date.

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75% of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Series 2007A Bonds is a component of a corporate holder's "adjusted current earnings", such interest may be subject to an alternative minimum tax.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. The Series 2007A Bonds will not be designated by the Authority as qualified tax exempt obligations under Section 265(b) of the Code.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

Initial Taxable Rates, Reset Rates and Tax-Exempt Rates have been established for the Series 2007A Bonds as shown on the inside cover page of this Official Statement and under the headings "DESCRIPTION OF THE SERIES 2007 BONDS – Reset Rate on the Series 2007A Bonds" and "- Conversion of Interest Rates on the Series 2007A Bonds to Tax-Exempt Rates". In the event that the Series 2007A Bonds are not converted to Tax-Exempt Rates, the taxable rate shall be recalculated and reset as set forth herein. Further, prior to the conversion of interest on the Series 2007A Bonds to the Tax Exempt Rates and the issuance of a Favorable Tax Opinion, certain conditions shall be satisfied. See "DESCRIPTION OF THE SERIES 2007 BONDS – Conversion of Interest Rates on the Series 2007A Bonds to Tax-Exempt Rates" herein.

Miscellaneous

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of the Series 2007A Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of the Series 2007A Bonds should consult their own tax advisors with respect to the consequences of owning the Series 2007A Bonds, including the effect of such ownership under applicable state and local laws.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2007A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Series 2007A Bonds issued prior to enactment. In addition, the Internal Revenue Service (“IRS”) has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Series 2007A Bonds involving either the Series 2007A Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2007A Bonds. Each purchaser of the Series 2007A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

In addition, prospective purchasers of the Series 2007A Bonds should be aware that on May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). TIPRA amended Section 6049 of the Code to provide that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax-exempt obligations were issued. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. The new reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

STATE TAXATION

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Series 2007 Bonds and net gains from the sale of the Series 2007 Bonds are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Series 2007 Bonds should consult with their tax advisors in order to understand the tax consequences of ownership of the Series 2007 Bonds under the laws of other states.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE SERIES 2007 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2007 BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE SERIES 2007 BONDS.

MUNICIPAL BANKRUPTCY

The undertakings of the Authority and the City should be considered with reference to 11 U.S.C. §101 *et seq.*, effective April 20, 2005 (“Bankruptcy Act”), and other bankruptcy laws affecting creditors’ rights and public entities in general. The Bankruptcy Act permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner,

and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Act specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

The Bankruptcy Act provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues (as defined in the Bankruptcy Act) acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Act provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Act.

Reference should also be made to N.J.S.A. §52:27-40 *et seq.* which provides that a local unit, including the Authority and the City, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Act, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission pursuant to N.J.S.A. §52:27-1, must be obtained. Neither the Authority nor the City has authorized the filing of a bankruptcy petition. The Authority and the City are fiscally sound and the City has a broad tax base.

THIS REFERENCE TO THE BANKRUPTCY ACT OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE AUTHORITY OR THE CITY EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE SERIES 2007 BONDS, OR THAT THE BANKRUPTCY ACT COULD NOT BE AMENDED AFTER THE DATE HEREOF.

UNDERWRITING

The Series 2007 Bonds are being purchased by NW Capital Markets Inc. (the “Underwriter”) pursuant to the Bond Purchase Contract, dated January 25, 2007, between the Underwriter and the Authority (the “Bond Purchase Contract”) at an aggregate price of \$51,273,555. The purchase price of the Series 2007A Bonds of \$40,181,745 reflects the par amount of the Series 2007A Bonds in the amount of \$40,465,000, minus an Underwriter’s discount in the amount of \$283,255. The purchase price of the Series 2007B Bonds of \$11,091,810 reflects the par amount of the Series 2007B Bonds in the amount of \$11,170,000, minus an Underwriter’s discount in the amount of \$78,190. The Underwriter is obligated to purchase all of the Series 2007 Bonds if any Series 2007 Bonds are purchased.

The Underwriter intends to offer the Series 2007 Bonds to the public initially at the offering prices or yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2007 Bonds to the public. The Underwriter may offer and sell the Series 2007 Bonds to certain dealers (including dealers

depositing the Series 2007 Bonds into investment trusts) at prices lower or yields higher than the public offering price or yields set forth on the inside front cover page, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

RATING

The Authority is expecting to obtain a rating of “Aaa” from Moody’s Investors Service (“Moody’s”) on the Series 2007 Bonds with the understanding that concurrently with the delivery of the Series 2007 Bonds the Policy guaranteeing the scheduled payment of principal of and interest on such Series 2007 Bonds will be issued by Financial Security. Any desired explanation of the significance of the rating should be obtained from Moody’s. Such rating reflects only the view of such rating agency and are not recommendations to buy, sell or hold the Series 2007 Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised and or withdrawn entirely if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Series 2007 Bonds.

FINANCIAL STATEMENTS

The financial statements of the City as of and for the year ended June 30, 2005, included as Appendix B to this Official Statement, have been audited by Ernst & Young, LLP, Iselin, New Jersey, independent auditors, (the “Auditor”) as stated in their report thereon dated February 21, 2006.

APPENDICES

APPENDIX A to this Official Statement consists of certain information concerning the City which has been extracted from public records and public documents of the City and from other public or official documents or publications which are referred to therein, which information has been compiled and prepared by the City.

APPENDIX B to this Official Statement consists of the audited financial statements of the City for the fiscal year ended June 30, 2005, together with Notes to Financial Statements for the year ended June 30, 2005. Such financial statements have been audited and provided by the Auditor, as set forth in its report appearing in APPENDIX B.

APPENDIX C to this Official Statement contains the forms of the Indenture of Trust and First Supplemental Indenture.

APPENDIX D to this Official Statement contains a copy of the City Guaranty Ordinance and the form of the Guaranty Agreement.

APPENDIX E to this Official Statement contains a specimen of the municipal bond insurance policy to be issued by Financial Security Assurance Inc. concurrently with the issuance and delivery of the Series 2007 Bonds upon original issue. Such municipal bond insurance policy provides for the full and timely payment of the principal of (but not redemption premium, if any) and interest on the Series 2007 Bonds in the event that such payments are not made by or on

behalf of the Authority.

APPENDIX F to this Official Statement consists of the form of opinion of Bond Counsel. Copies of such opinion will be available at the time of delivery of the Series 2007 Bonds.

APPENDIX G to this Official Statement consists of the form of Continuing Disclosure Agreement.

MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the Authority. Concurrently with the delivery of the Series 2007 Bonds, the Authority will furnish a certificate to the effect that nothing has come to the Authority's attention that would lead the Authority to believe that the Official Statement, in final form, contains any untrue statement of a material fact or omits to state any information necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Certain information contained in the Official Statement has been obtained from sources other than the Authority which the Authority believes to be reliable, but it makes no warranty or other representation with respect to the accuracy and completeness of such information. All quotations from and summaries and explanations of provisions of laws, statutes, resolutions and agreements herein do not purport to be complete and reference should be made to said laws, statutes, resolutions and agreements for a full and complete statement of their provisions.

This Official Statement is not to be construed as a contract or agreement between the Authority and the Underwriter or the purchaser or holder of any of the Series 2007 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or of the Authority since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

HOBOKEN MUNICIPAL HOSPITAL
AUTHORITY

/s/ George W. Crimmins
George W. Crimmins, Executive Director

Dated: January 25, 2007

APPENDIX A

**CERTAIN INFORMATION RELATING TO
THE CITY HOBOKEN**

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GENERAL INFORMATION CONCERNING THE CITY OF HOBOKEN

General Background

Located on the Hudson River opposite midtown Manhattan, Hoboken has many important transportation facilities. NJ Transit commuter lines serving North Jersey, Central New Jersey and the Jersey Shore terminate at the Hoboken Terminal where the PATH subway brings commuters directly to downtown and midtown Manhattan. Ferry service is also available from the Hoboken Terminal to the World Financial Center in Manhattan. Numerous bus lines also service Hudson County and New York City from Hoboken Terminals. Hoboken is also adjacent to both the Holland and Lincoln Tunnels.

Adequate facilities are provided for the operation of school, fire and police services. The City-owned water system is operated, maintained and managed by United Water, Inc. Sewage treatment is provided by the North Hudson Sewerage Authority.

A turnabout dramatic enough to be called a renaissance began in the early 1970's when the Model Cities and Community Development Block Grant Programs initiated the rehabilitation of many tenements as well as the conversion of the Keuffel and Esser factory into housing, the first such adaptive reuse for family housing. At the same time, the City began to draw new residents, many of them artists and professionals attracted by Hoboken's proximity to New York and its Victorian architecture and small-town "livability."

Today, the renaissance continues, and Hoboken is now at the geographical center of the revitalization of the Hudson River's West Bank. Change has brought the City new priorities, among them affordable housing, the development of the waterfront and the expansion of the commercial and industrial base.

Government

The City of Hoboken, incorporated as a city in 1855, currently operates under a Mayor/Council form of government adopted by the electorate referendum held in November 1952.

The legislative power of the City is vested in the Municipal Council (the "Council") which is composed of nine members, six of whom are elected from the City's six wards and three of whom are elected at large. The Council meets regularly and operates in accordance with the Optional Municipal Form of Government, N.J.S.A. 40:69A-1 *et seq.* The Council members serve for terms of four years beginning on the first day of July following their election. The current term for Council members elected at large commenced on July 1, 2001. The current term for Council members elected by ward commenced on July 1, 2003.

The executive power of the City is exercised by the Mayor, who is responsible for administering the charter and ordinances and general laws of the City. The Mayor supervises all of the departments in the City and reports annually, to the Council and the public, the results of the previous year's operations. The Mayor has the power to approve ordinances adopted by the Council or to return them to the Council with a statement of his objections. A vote by two-thirds of the members of the Council may override the Mayor's veto. The Mayor may attend meetings of the Council and may take part in discussions. The Mayor has no vote in the proceedings of the Council except to fill a vacancy in the Council in which he may cast the deciding vote. The Mayor appoints the Business Administrator and the Directors of the City departments with the advice and consent of the Council. The City currently has five departments: The Department of Administration, the Department of Environmental Services, the Department of Public Safety, the Department of Community Development and the Department of Human Services.

The City provides a wide array of public safety, health, social and recreational services. See the section entitled "Services" herein.

School System

The City's school district, coterminous with the City, is a Type II school district, an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is not part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of three elementary schools, two middle schools, and one high

school.

Hoboken is the home of two Charter Schools, the Elysian Charter School and the Hoboken Charter School. The Elysian Charter School serves grades K-8 and opened its doors in September, 1997. The Hoboken Charter School serves grades pre K-12 and opened in September 1998. Charter Schools are funded with public money. They charge no tuition and are open to children in the Hoboken School District selected by lottery. Charter Schools, which are created and operated by parents, teachers and community groups, offer alternatives to traditional education and are designed around a specific theme or educational approach.

SERVICES

Police

The Police Division consists of approximately 165 police officers and 8 civilians who operate a modern police facility for the protection of the local citizens. The Police Division uses approximately 40 cars and 12 vehicles to patrol the City.

Fire

The Fire Division consists of approximately 120 fire fighters and 8 civilians. The emergency vehicles consist of 5 pumpers, 4 trucks with 100 foot aerial ladders, 4 vans, 3 cars, and one rescue vehicle which are distributed among 4 fire stations.

During the past several years, the Hoboken Fire Division has undergone a major restructuring. In addition to upgrading its fire apparatus, the City began a new emphasis on advanced training. These efforts enable the City to establish Rescue One, a specially trained group of fire fighters certified as High Angle Rescue Teams, First Responders and CPR trained officers. The unit in addition to responding to fires, will provide an immediate response to all life threatening accidents, extrications and rescue situations. A Hazmat unit was established in 2003, and responds to all hazardous gas and chemical issues. There is also a water rescue team, consisting of one boat.

Garbage Collection

Garbage collection in the densely populated City of Hoboken is picked up four days per week. Separate picks ups for recycling mixed paper, and glass and bottles are each picked up once a week, and metal appliances and metal furniture is picked up twice a week.

Park System

The City's park system consists of five major parks, Elysian Park, site of the first organized baseball game on June 19, 1846, Stevens Park, Church Square Park, Sinatra Park and Pier A Park. There is also a waterfront park adjacent to the historic Eric Lackawanna Railroad Terminal, a terminal which services 75,000 commuters daily. The County of Hudson maintains Columbus Park. The Board of Education owns and maintains John F. Kennedy Stadium, which is the site of community recreation and local high school sports.

The City of Hoboken has implemented several capital projects to improve certain parks within the City.

Cultural Affairs

The City has established a Division of Cultural Affairs which organizes and promotes numerous cultural events which enhance the artistic atmosphere of the City, most notably the spring and Fall Art and Music Festivals.

Recreation

The City's Division of Recreation organizes leagues for various sports available to the boys and girls of the City, and also sponsors several leagues and events for adults.

Public Library

The Hoboken Public Library is centrally located at 5th Street and Park Avenue in an historic building. The library a variety of services to the public including an extensive collection of books on Hoboken history and Frank Sinatra, novels, fiction, biographies, history, art, literature, mysteries, science fiction, subscriptions to over 100 magazines, language instruction tapes and an excellent reference section. It also offers books on tape and has a large selection of audio compact discs. Several programs are available for children's education and entertainment.

The Hoboken Public Library also offers patrons the use of computers which are equipped with Microsoft Office, which includes popular software programs including Microsoft Word, Access, Excel, Publisher and PowerPoint.

Free internet access is available for use by patrons with a minimal printing charge. The popular Web Browser "Yahoo" allows users to visit the millions of web sites on the World Wide Web, subject to certain rules.

Transportation

The City of Hoboken operates a Cross Town Bus Line as well as bus service for senior citizens and a medical transportation program for senior citizens and handicapped persons. In 2002 the Hudson-Bergen Light Rail System operated by New Jersey Transit was extended from Jersey City and currently terminates at the Hoboken Train Station allowing connections with path and commuter bus and rail lines. The system to connect North Hudson and Bergen County is presently under construction.

Hispanic and Minority Affairs

The Division of Hispanic and Minority Affairs promotes cultural and civic activities in Hoboken which are designed to showcase the heritage, pride and uniqueness which each segment of a particular nationality contributes to the City.

Constituent Services

The Division of Constituent Services provides an outlet for citizens to express their concerns and have them addressed.

Health

The Office of the Health Officer and the Office of Inspection work progressively to meet the needs of public health by inspecting retail food and liquor establishments, pools, gyms, tanning salons, hair and nail salons, camps, schools and properties.

The Hoboken Health Center offers privatized affordable primary care for the whole family through the North Hudson Community Action Corporation under the direct supervision of the Hoboken Division of Health.

Hoboken is also home to St. Mary Hospital, the oldest hospital in New Jersey, located at Fourth Street and Willow Avenue. Prior to the issuance of the Series 2007 Bonds described in this Official Statement, St. Mary Hospital was affiliated with the St. Francis Hospital of Jersey City, and was operated by the Franciscan Health System of New Jersey. From and after February 1, 2007, the hospital's name will be changed to "Hoboken University Medical Center" and it will be owned and operated by the Hoboken Municipal Hospital Authority, with Hudson Healthcare, Inc. providing management services. In addition to serving the residents of Hoboken, St. Mary Hospital serves the residents of Weehawken, Union City, and parts of Jersey City. Ambulance service to the hospital is provided by the Hoboken Volunteer Ambulance Corps.

Other Services Provided by the City

Many other services are provided by the City including, but not limited to Zoning & Planning, Rent Leveling

& Stabilization, Community Development, Construction Code, and Housing Inspection.

Utilities

Public Service Electric and Gas Company provides gas and electric service in Hoboken, and Verizon provides telephone service. Riverview Cablevision services Hoboken with cable television.

The City's water operations are managed by United Water, Inc. and its sewer operations are managed by the North Hudson Sewerage Authority. The City's Water Utility Fund revenues consist of a residual amount of water rents and bank interest which are offset by the salary expenses for one employee. The City's Sewer Utility Fund revenues consist of bank interest. The City's Sewer Utility Fund has no expenses.

On October 16, 2002, the City adopted an ordinance authorizing the operation of the Parking System as a Municipal Public Utility, to be designated as the City of Hoboken Parking Utility (the "Parking Utility"). Revenues and expenses of the Parking Utility will initially consist of the revenues and expenses of the Parking Authority. Significant revenues include garage parking fees, on and off street parking fees, business and residential permits, towing and administrative fees, park 'n shop coupons and merchant fees. The most significant items of expense include garage management fees, utilities, salaries and fringes and insurance.

**CITY OF HOBOKEN
DEMOGRAPHIC INFORMATION**

**POPULATION OF THE CITY OF HOBOKEN
Resident Population**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Hoboken	48,441	45,380	42,460	33,397	38,577
County of Hudson	610,734	609,266	556,972	553,099	608,975
State of New Jersey	6,066,782	7,168,164	7,364,823	7,747,750	8,414,350

Source: New Jersey Department of Labor

**CITY OF HOBOKEN
EMPLOYMENT INFORMATION
2005**

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
Hoboken	27,838	27,113	725	2.6
County of Hudson	290,621	274,875	15,746	5.4
State of New Jersey	4,430,376	4,235,940	194,436	4.4

Source: U.S. Bureau of Labor Statistics

**TOP 10 LARGEST TAXPAYERS
CITY OF HOBOKEN
BASED UPON 2005 ASSESSED VALUATION**

<u>Block</u>	<u>Lot</u>	<u>Address</u>	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Valuation</u>
175	1	77 Park	ASN Hoboken I & II LLC	Apartment	29,800,000
261	1	1101-1125 Hudson	PT Maxwell LLC	Apartment	18,611,000
262.6	1	1201-1333 Hudson	Machine Sop Associates C/o Applied	Apartment	18,116,700
262.5	1	1 Independence Court	North Independence Associates LP	Apartment	17,575,000
115	1	1300-1324 Clinton Street	Metropolitan at Hoboken C/O AEW CAP	Apartment	16,051,200
151	1	1101-1133 Adams Street	BIT Investment Twenty- Eight LLC	Apartment	15,857,100
89	1	801 Madison Street	Courtyard at Jefferson, LLC	Apartment	15,555,600
262.5	6.1	2 Twelfth Street	South Independence Associates LP	Apartment	14,250,000
262.3	6	1 Fourteenth Street	North Independence Associates LP	Apartment	13,040,500
224	1	38-40 First Street	Hoboken Associates, LP	Apartment	11,645,000
					<u>\$170,502,100</u>

Source: Office of the Assessor, City of Hoboken

CITY OF HOBOKEN
TREND OF NET ASSESSED VALUATIONS
BY CLASSIFICATIONS OF REAL ESTATE

<u>Classification</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Residential	\$1,788,136,500	\$1,588,634,900	\$1,428,898,300	\$1,335,129,500	\$1,236,805,100
Commercial	480,042,500	464,629,900	467,483,400	470,130,400	466,163,100
Industrial	46,940,600	52,450,400	65,272,700	66,671,500	79,074,800
Apartments	348,108,400	420,345,800	424,402,600	424,417,200	401,123,300
Vacant/Undeveloped	<u>58,412,900</u>	<u>53,724,200</u>	<u>39,788,400</u>	<u>42,818,300</u>	<u>44,399,100</u>
Total	\$2,721,640,900	\$2,579,785,200	\$2,425,845,400	\$2,339,166,900	\$2,227,565,400
Personal Property					
Other	<u>1,399,918</u>	<u>1,652,195</u>	<u>1,859,462</u>	<u>2,041,316</u>	<u>1,938,232</u>
Total	<u>\$2,723,040,818</u>	<u>\$2,581,437,395</u>	<u>\$2,427,704,862</u>	<u>\$2,341,208,216</u>	<u>\$2,229,503,632</u>

Source: Office of the Assessor, City of Hoboken

CITY OF HOBOKEN
GENERAL TAX RATE - FIVE YEAR COMPARATIVE
(Per \$100 of Assessed Valuation)

<i>Fiscal Year</i>	2006	2005	2004	2003	2002
Tax Rate:					
County	\$1.210	\$1.220	\$1.205	\$1.257	\$1.276
County Open Space*	.027	.024	.021	-	-
Type I School D/S	-	-	-	-	.001
School	1.221	1.211	1.207	1.201	1.200
Municipal	<u>.976</u>	<u>.832</u>	<u>.783</u>	<u>.784</u>	<u>.784</u>
Total General Tax Rate	<u>3.434</u>	<u>3.287</u>	<u>3.216</u>	<u>3.242</u>	<u>\$3.261</u>

Source: Office of the Assessor, City of Hoboken

* Open space initiative effect became effective in fiscal year 2004.

** Type one school debt was eliminated in fiscal year 2003.

TAX LEVY AND TAX COLLECTION

<i>Fiscal Year</i>	2006	2005	2004	2003	2002
Tax Levy	\$88,865,063	\$82,598,886	\$80,064,039	\$77,455,016	\$72,691,554
Cash Collection	88,567,078	82,556,422	79,981,446	77,421,817	72,069,756
Percentage	99.66%	99.95%	99.90%	99.96%	99.14%

Source: Office of the Tax Collector, City of Hoboken

DELINQUENT TAXES AND TAX TITLE LIENS EXPERIENCE

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2006	\$453,254	\$3,292	\$456,546	0.51%
2005	436,939	52,779	461,634	0.58%
2004	\$408,855	\$52,779	\$461,634	0.58%
2003	392,961	2,429	395,390	0.51%
2002	611,732	7,778	619,510	0.85%

Based on the City of Hoboken's Fiscal Year.

**STATUTORY DEBT
OF THE CITY OF HOBOKEN
AS OF JUNE 30, 2006**

	Balance June 30, 2006	Deductions	Net Debt
Gross debt:			
Local school district debt:			
Type II loans issued	\$2,126,144	\$2,126,144	\$ -
Type II bonds issued	<u>259,000</u>	<u>259,000</u>	<u>-</u>
Total local school district debt	2,385,144	2,385,144	-
General debt:			
Term Bonds issued	47,062,442	7,382,442	39,680,000
Bond anticipation notes issued	17,655,000		17,655,000
Loans payable	2,255,249		2,255,249
General debt authorized but not issued by the City	<u>2,539,503</u>		<u>2,539,503</u>
Total general debt	69,512,194	7,382,442	62,129,752
Parking Utility:			
Bonds issued	23,885,000	23,885,000	-
Bond anticipation notes issued	<u>5,280,000</u>	<u>5,280,000</u>	<u>-</u>
Total Parking Utility	<u>29,165,000</u>	<u>29,165,000</u>	<u>-</u>
Total Gross Debt	<u>\$101,062,338</u>		
Total Deductions		<u>\$38,932,586</u>	
Total Net Debt			<u>\$62,129,752</u>

CITY OF HOBOKEN
COUNTY OF HUDSON, NEW JERSEY

REMAINING STATUTORY BORROWING POWER
AS OF JUNE 30, 2006

Statutory Equalized Valuation (1)	\$5,711,418,003
Statutory Borrowing Power (2)	199,899,630
Statutory Net Debt	68,587,310
Remaining Statutory Borrowing Power	131,312,320
Net Debt to Equalized Valuation	1.20%

- (1) Average of the immediately preceding three years (2004,2005,2006)
(2) 3 ½% of the Equalized Valuation as determined by the State.

Gross Debt is the total financial obligation of the Municipality and its Subdivisions. Statutory Deductions determine the Borrowing Power and Statutory Net Debt under the Laws of the State of New Jersey.

Source: Information compiled from various accounting and permanent records of the City of Hoboken.

OVERLAPPING DEBT
AS OF JUNE 30, 2006

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt			
School Purposes	\$2,385,144	\$2,385,144	\$0
Self-Liquidating Purposes	29,165,000	29,165,000	-0-
Other Purposes	<u>75,000,000</u>	<u>7,382,442</u>	<u>68,587,310</u>
Total Municipal Debt	107,519,896	38,932,586	68,587,310
Overlapping Debt Apportioned to the City of Hoboken (1)	<u>46,486,753</u>	<u>19,165,950</u>	<u>27,320,803</u>
Total Municipal Debt Including Apportioned Overlapping Debt	<u>\$154,006,649</u>	<u>\$58,098,536</u>	<u>\$95,908,113</u>

- (1) The County of Hudson's Gross Debt as of June 30, 2006 was \$328,797,835.04 and net debt was \$193,238,293.97. The City's share (14.1384%) is based on County Equalized Valuation for Hoboken (\$6,787,122,336) divided by that for Hudson County (\$48,004,750,568) .

TAX COLLECTION PROCEDURE

Property taxes are based on the assessors valuation of real property and are levied for the calendar year. The taxes for City, Local School District, and County purposes are combined into one levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purposes of the Local School District cover the current calendar year. Turnovers by the City to the Board of Education are based on school needs and are generally made on a periodic basis throughout the year. The City remits County Taxes quarterly, on the 15th days of February, May, August and November.

Tax bills for the second half of the current years levy and an estimate, based on 50% of the levy for the first half of the following year, are mailed annually in June and are due in quarterly installments on the first day of the following months of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of July 1 following the year of levy, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to the property.

RELATED OBLIGATIONS

North Hudson Sewerage Authority

The North Hudson Sewerage Authority (the "NHSa"), a political subdivision and a public body corporate and politic of the State of New Jersey, was created through a consolidation of the Hoboken – Union City – Weehawken Sewerage Authority (the "HUCWSA") and the West New York Municipal Utilities Authority (the "WNYMUA") in October, 1996.

HUCWSA was created upon the Local Finance Board approval of application by the City of Hoboken in November, 1987. HUCWSA was created pursuant to the New Jersey Sewerage Authorities Law, ch. 138, L. 1946 (N.J.S. 40A:40:14A-1 et seq.) (the "Act") as the Hoboken Union City – Weehawken Sewerage Authority by parallel ordinances of the City of Hoboken, the City of Union City, and the Township of Weehawken, dated January 6, 1988, February 16, 1988 and December 15, 1988, respectively. Such ordinances were filed with the Secretary of State on January 11, 1989. HUCWSA was created for the purpose of, among other things, acquiring, constructing, maintaining and operating facilities for the treatment, purification or disposal of sewage or other waste.

During October, 1996, HUCWSA acquired the WNYMUA, and together, these entities were consolidated to create the North Hudson Sewerage Authority (NHSa). The acquisition was executed through the issuance and sale of \$104,945,000 Sewer Revenue Notes, Series 1996, issued by the NHSa on October 15, 1996, and delivered on October 31, 1996.

In connection with the creation of the NHSa, a new service agreement between the City (together with the Hudson County municipalities of West New York, Union City and Weehawken) and the NHSa (the "Service Agreement") was executed. The related obligation of the City with respect to the current services agreement pertains to service charges and annual charges, as described below.

Service Charges

The NHSa will charge to users of its system service charges, pursuant to the Service Agreement, with respect to all sewage treated or disposed of by the NHSa and for all use and services of its system, in accordance with the Act, and in a manner consistent with the submission relied upon by the United States Environmental Protection Agency (EPA) and the New Jersey Department of Environmental Protection (NJDEP) in issuing a federal grant or in such other manner that the EPA and the NJDEP approve. Such service charges shall be established at rates estimated to be sufficient to provide for all amounts necessary to pay or provide for the expenses of operation and maintenance of the NHSa's system and the principal and interest on any and all Notes as they become due, to maintain the amounts required to be held on deposit in the sinking fund and the bond reserve fund and to comply in all respects with the terms and provisions of the general bond resolution adopted by the HUCWSA on April 24, 1989, as amended, and the New Jersey Sewerage Authorities Law, provided, however that the NHSa may charge service charges which are less than sufficient to comply with the requirements referred to above if each of the municipalities gives its written consent to such lesser service charges.

Annual Charges

Annual charges are based upon application of a formula which is explained in the next two paragraphs. If, but only if, the application of the formula yields a positive dollar amount for any fiscal year during which the service agreement is in effect, the City shall be obliged to pay to the NHSA its allocable share of such positive dollar amount as an annual charge. Such annual charges shall be the excess, if any of the amount determined by the items in the first paragraph following less the amount determined by the items in the second paragraph following to determine the excess, if any.

The sum of all of the amounts reasonably expected by the NHSA to be expended in the fiscal year of the NHSA(1) to pay or provide for the expenses of construction, acquisition, operation and maintenance of its system, as well as administrative and other expenses of the NHSA related to its system prior to placing the system in operation, and the principal of and interest on all Notes as the same become due; (2) to maintain such reserves or sinking Rinds as may be required by the terms of the contract of the NHSA or any bond resolution, or as may be deemed necessary by the NHSA; and (3) to comply in all respects with the terms of the general bond resolution adopted by the HUCWSA on April 24, 1989, as amended, and the Act.

The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in the preceding paragraph: (1) service charges collected by the NHSA; (2) the proceeds of Notes received by or for account of the NHSA with respect to its system; (3) the proceeds of insurance awards received by or for account of the NHSA with respect to its system; (4) contributions received by or for account of the NHSA with respect to its system and not under any circumstances repayable by the NHSA until after the payment in full of all other obligations of title NHSA including its Notes, original or refunding or both, or (5) any other funds, on hand or available therefor.

Annual charges, if any, are assessed to and payable by the City in the same percentage as the most recent determination by the NHSA of the allocation of the annual flow among the municipalities. The most recent determination by the NHSA of the allocation of the annual flow is as follows: (i) Hoboken 23%, (ii) Union City 36%, (iii) Weehawken 14% and (iv) West New York 27%.

On or before January 1 of each fiscal year, the NHSA will make an estimate of the amount of the annual charges, if any, which will be payable by the City for such fiscal year. On or before February 15 of each fiscal year, the City will pay to the NHSA the amount of any annual charges not paid relating to any prior fiscal year. The City will pay to the NHSA that part of the estimated amount of the annual charges for the current fiscal year in four equal installments on March 1, June 1, September 1, and November 1 of such fiscal year.

Dissolution of the Hoboken Parking Authority

The City authorized the dissolution of the HPA pursuant to an Ordinance (the "Dissolution Ordinance") adopted on October 16, 2002. In accordance with the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.), the Dissolution Ordinance was approved by the Local Finance Board, on October 9, 2002. The adoption of the ordinance on October 16, 2002, authorized the operation of the Parking System as a Municipal Public Utility, to be designated as the City of Hoboken Parking Utility (the "Parking Utility"). Revenues and expenses of the Parking Utility will initially consist of the revenues and expenses of the HPA. Significant revenues include garage parking fees, on and off street parking fees, business and residential permits, towing and administrative fees, park 'n shop coupons, and merchant fees. The most significant items of expense include garage management fees, utilities, salaries and fringes and insurance.

In connection with the dissolution of the Hoboken Parking Authority ("HPA") and the assumption by the City of the responsibility for the services and the financial obligations of the HPA, on December 15, 2002, the City issued \$17,515,000 Parking Utility General Obligation Notes, 2002 Series A, \$9,015,000 Parking Utility General Obligation Notes, 2002 Series B and \$5,115,000 Parking Utility Bond Anticipation Notes, 2002 Series C (the "Prior Notes"), to refund certain outstanding obligations of the Parking Authority. On January 1, 2003, the operations of the Parking Utility commenced.

The County of Hudson

The City is located in the County of Hudson (the "County") and, in accordance with the regulations governing financial reporting for New Jersey municipals, a pro rata share of certain direct debt of the County is treated as overlapping debt of the City for financial reporting purposes. Please see "Overlapping Debt" in this Appendix A to the

Official Statement.

The County issues its obligations, or commits to repay various loan arrangements for the financing of capital projects of the County, including County roads, buildings, parks and educational facilities.

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APPENDIX B
CITY OF HOBOKEN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

The financial statements included in Appendix B makes reference to other supplementary information which includes individual fund schedules. This information is an integral part of the City's Annual Financial Report for the year ended June 30, 2005 and we encourage readers to consider information presented therein. The Financial Statements for the year ended June 30, 2005 and opinion are intended to be representative only as of the date thereof. Ernst & Young LLP, Independent public auditors has not been requested by the City to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.

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FINANCIAL STATEMENTS

City of Hoboken

County of Hudson, New Jersey

June 30, 2005

City of Hoboken
County of Hudson, New Jersey

Financial Statements

June 30, 2005

Report of Independent Auditors

Financial Statements

**Financial
Statement
Exhibit**

Current Fund

Balance Sheets
Statements of Operations and Changes in Fund Balance
Statement of 2005 Revenues
Statement of 2005 Appropriations

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Trust Fund

Balance Sheets

B

General Capital Fund

Balance Sheets
Statement of Fund Balance

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Parking Utility Funds

Balance Sheets
Statements of Operations and Changes in Fund Balance
Statement of Revenues
Statement of Expenditures

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Notes to Financial Statements

Report of Independent Auditors

Honorable Mayor and Members of the City Council
City of Hoboken, New Jersey

We have audited the accompanying statutory-basis financial statements of the City of Hoboken (the “City”), County of Hudson, New Jersey as of June 30, 2005 and 2004 and for the year ended June 30, 2005, listed as financial statement exhibits in the foregoing table of contents. These financial statements are the responsibility of the City's administration. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 City's internal control over financial reporting. Our audit 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 City'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. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States. The effects of the differences from accounting principles generally accepted in the United States are not reasonably determinable.

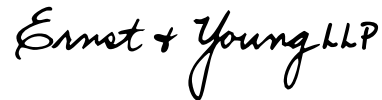
In our opinion, because of the effects of the use of prescribed accounting practices that differ from accounting principles generally accepted in the United States as described in the preceding paragraph, the financial statements referred to above do not present fairly,

in conformity with accounting principles generally accepted in the United States, the financial position of the City as of June 30, 2005 and 2004 or the results of its operations or changes in fund balances for the year ended June 30, 2005.

Also, in our opinion, except for the omission of a statement of the general fixed assets account group, the financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2005 and 2004, and the results of its operations and the changes in its fund balances for the year ended June 30, 2005 in conformity with the accounting practices prescribed by the Division of Local Government Services as described in Note 1.



Randy P. Nelson
Registered Municipal Accountant
(#424)



February 21, 2006

Financial Statements

Current Fund

Exhibits

City of Hoboken
Hudson County, New Jersey
Current Fund

Balance Sheets

		June 30	
	Reference	2005	2004
Assets			
Current Fund			
Cash	1-A	\$ 7,594,433	\$ 5,046,764
Change fund		750	750
		<u>7,595,183</u>	<u>5,047,514</u>
Other Receivables:			
Due from State of New Jersey-Senior Citizen: and Veterans deduction:	5-A	26,478	32,098
Receivables and other assets with full reserves			
Delinquent property taxes receivable	2-A	42,469	52,779
Tax title liens receivable	3-A	436,939	408,855
Property acquired for taxes at assessed valuation	4-A	2,806,900	2,806,900
Mortgage receivable	6-A	935,429	993,429
Interfund receivable	8-A	733,982	445,108
Water liens	9-A	46,261	176,727
		<u>5,001,980</u>	<u>4,883,798</u>
Deferred charges			
	10-A	2,349,563	6,791,902
		<u>\$ 14,973,204</u>	<u>\$ 16,755,312</u>
Federal and State Grant Fund			
Grants receivable	18-A	\$ 1,977,269	\$ 2,098,496
Deferred charges-expenditure without authorization	22-A	872,685	29,680
		<u>\$ 2,849,954</u>	<u>\$ 2,128,176</u>
Liabilities, reserves and fund balance			
Current Fund			
Liabilities			
Appropriation reserves	A-3, 11-A	\$ 1,769,500	\$ 927,905
Reserve for encumbrances	A-3, 11-A	587,687	3,898,413
Prepaid taxes	12-A	20,754	150,922
Interfund payable	8-A	1,072,059	996,394
Tax overpayments	13-A	1,844,268	1,591,311
Promissory note payable - HCLA	14-A	935,429	993,429
Various reserves	15-A	249,815	329,644
School district taxes payable	16-A	508,216	
Security deposit payable	Unchanged	4,000	4,000
		<u>6,991,728</u>	<u>8,892,018</u>
Reserve for receivables			
	A	5,001,980	4,883,798
Fund balance			
	A-1	2,979,496	2,979,496
		<u>\$ 14,973,204</u>	<u>\$ 16,755,312</u>
Federal and State Grant Fund			
Appropriated reserves	20-A	\$ 1,973,356	\$ 1,581,707
Reserve for encumbrances	20-A	72,662	155,127
Unappropriated reserves	21-A	382,102	258,382
Due to Current Fund	19-A	421,834	132,960
		<u>\$ 2,849,954</u>	<u>\$ 2,128,176</u>

See accompanying notes.

City of Hoboken
Hudson County, New Jersey
Current Fund

Statements of Operations and Changes in Fund Balance

		Year ended June 30	
	Reference	2005	2004
Revenues and other income realized:			
Miscellaneous revenue anticipated	A-2	\$ 47,312,245	\$ 40,098,844
Receipts from delinquent taxes	A-2	165,706	77,372
Receipts from current taxes	A-2	82,556,422	79,979,859
Non-budget revenue	A-2	191,655	2,169,005
Other credits to income:			
Unexpended balance of appropriation reserves	11-A	618,363	173,947
Receipts from Water liens receivable	9-A	130,466	66,638
Cancellation of various reserves		-	190,997
Interfunds returned	8-A	445,108	1,562,991
Total revenues and other income realized		<u>131,419,965</u>	<u>124,319,653</u>
Expenditures:			
Budget appropriations	A-3	71,244,315	64,175,062
Local district school tax	16-A	29,584,589	29,285,155
County taxes	17-A	30,969,599	30,686,544
Interfund advances	8-A	733,982	445,108
Tax appeal judgments	13-A	947,297	2,498,705
Other			58,000
Total expenditures		<u>133,479,782</u>	<u>127,148,574</u>
Deficit in revenues		(2,059,817)	(2,828,921)
Adjustments to income before fund balances:			
Expenditures included above which are deferred charges to budget of succeeding year:			
Deficit in operations	10-A	1,282,504	
Overexpenditure of appropriations	A-3, 10-A	11,217	4,370,979
Overexpenditure of appropriation reserves	10-A, 11-A	16,096	216,827
Emergency appropriations	A-3, 10-A	750,000	
		<u>2,059,817</u>	<u>4,587,806</u>
Statutory excess/(deficit) to surplus		-	1,758,885
Fund balance, beginning of year	A	<u>2,979,496</u>	<u>1,220,611</u>
Fund balance, end of year	A	<u>\$ 2,979,496</u>	<u>\$ 2,979,496</u>

See accompanying notes.

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-2
p. 1

Statement of 2005 Revenues

Year ended June 30, 2005

	Reference	Anticipated Budget	Realized	Excess or (Deficit)
Miscellaneous Revenues				
Licenses:				
Alcoholic Beverages	7-A	283,500	\$ 261,100	(22,400)
Other	7-A	764,850	373,039	(391,811)
Fees and Permits	7-A	149,000	151,282	2,282
Zoning Board of Adjustment Fees	7-A	170,900	191,266	20,366
Planning Board Fees	7-A	62,000	98,440	36,440
Rent Leveling Fees	7-A	39,000	36,366	(2,634)
Fines and Costs:				
Municipal Court	7-A	3,500,000	3,339,931	(160,069)
Parking Tax	7-A	550,000	608,328	58,328
Interest and Cost on Taxes	7-A	150,375	231,076	80,701
Interest on Investments and Deposits	7-A	119,000	176,201	57,201
Riverview Cablevision Associates	7-A	142,000	159,287	17,287
Rents - City Owned Property	7-A	235,546	262,879	27,333
Crosstown Bus Line	7-A	14,050	18,860	4,810
SJP Properties - Block A - Phase I	7-A	936,000	936,000	-
SJP Properties - Block A - Phase II	7-A	936,000	936,000	-
SJP Properties/Applied - Block B	7-A	271,000	271,000	-
Applied Development Co. - South Waterfront - Block C	7-A	1,267,864	1,247,655	(20,209)
St. Mary's Hospital PILOT	7-A	110,021	110,021	-
Grogan Marineview Plaza	7-A	654,074	468,771	(185,303)
Clocktowers	7-A	122,183	151,908	29,725
Marion Towers Associates	7-A	132,119	183,491	51,372
Church Towers Urban Renewal	7-A	451,771	452,771	1,000
Columbian Towers	7-A	211,572	89,677	(121,895)
Columbian Arms	7-A	24,000	25,848	1,848
Hudson Square North	7-A	153,649	158,257	4,608
Willow Avenue Associates - 800 - 812 Willow Avenue	7-A	61,240	41,372	(19,868)
PILOT-Port Authority of NY & NJ	7-A	3,000,000	3,000,000	-
Applied Housing - 1203-1219 Willow Avenue	7-A	237,419	235,152	(2,267)
Applied Housing - 1201-1221 Washington Estates	7-A	385,178	389,582	4,404
Applied Housing - 1200-1220 Hudson Estates	7-A	424,480	420,524	(3,956)
Applied Housing - 1301-1309 Bloomfield Estates	7-A	120,344	127,507	7,163
Applied Housing - Midway 500-508 Adams Street	7-A	206,741	205,996	(745)
Applied Housing - Elysian Estates	7-A	58,779	69,882	11,103
Applied Housing - Church Square	7-A	142,914	108,665	(34,249)
Applied Housing - Eastview Associates	7-A	104,907	98,204	(6,703)
Applied Housing - Westview Associates	7-A	194,472	175,186	(19,286)
Applied Housing - Northvale I - 911-923 Clinton Street	7-A	359,873	355,316	(4,557)
Applied Housing - Northvale II - 901-919 Clinton Street	7-A	345,987	340,984	(5,003)
Applied Housing - Northvale IIIA	7-A	53,776	53,776	-
Applied Housing - Northvale III B - 1106-1014 Clinton Street	7-A	67,713	80,777	13,064
Applied Housing - Northvale IV - 58 11th Street	7-A	13,320	13,355	35
New Jersey Transit - Transport of New Jersey	7-A	2,500,000	156,308	(2,343,692)
Hudson Square North-Mortgage Receivable	7-A	58,000	55,754	(2,246)
Consolidated Municipal Property Tax Relief Aid	7-A	13,423,836	13,423,836	-
Legislative Initiative Municipal Block Grant	7-A	151,261	151,261	-
Energy Receipts Tax	7-A	2,006,238	2,006,238	-
Homeland Security Assistance Aid	7-A	140,000	140,000	-
Uniform Construction Code Fees	7-A	1,090,000	1,367,180	277,180
Hoboken Housing Authority - Public Safety	7-A	540,000	405,000	(135,000)
Hoboken Board of Education - Public Safety	7-A	90,000	-	(90,000)
Home Support & Adult Day Care Comprehensive Program for the Elderly	18-A	77,500	77,500	-
Summer Food Service Program	18-A	33,005	33,005	-
State Local Cooperative Housing Inspection Program	18-A	53,000	53,000	-
BOJA Bulletproof Vest Partnership Grant	18-A	1,300	1,300	-
NJ 2002 Body Armor Replacement Fund	18-A	15,000	15,000	-
Domestic Violence	18-A	7,500	7,500	-
Law Enforcement Block Grant	18-A	11,347	11,347	-

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-2
p. 2

Statement of 2005 Revenues

Year ended June 30, 2005

	Reference	Anticipated Budget	Realized	Excess or (Deficit)
Safe School and Communities	18-A	38,949	38,949	-
COPS in School	18-A	375,000	375,000	-
Recycling Tonnage	18-A	48,000	48,000	-
Clean Communities Program	18-A	33,068	33,068	-
DOT Local Aid Centers of Places "Hoboken Signage"	18-A	50,000	50,000	-
Statewide Livable Communities - Library Aid - ADA	18-A	75,000	75,000	-
Statewide Livable Communities - Library Aid Improvements	18-A	50,000	50,000	-
NJDEP Municipal Stormwater Regulation Program	18-A	20,619	20,619	-
Added Assessments	2-A	1,431,360	2,992,215	1,560,855
Reserve, Outside-Duty Police Administration	7-A	140,000	140,000	-
Sinatra Park Concession	7-A	42,000	42,000	-
Sale of Municipal Garage	7-A	7,938,751	7,938,751	-
Bus Shelter Revenue-2004	7-A	2,700	-	(2,700)
Anticipated Parking Utility Operating Surplus	7-A	4,050,992	3,847,278	(203,714)
Refinancing of Defeased Escrow Debt	7-A	47,000	29,290	(17,710)
Legal Settlement	7-A	64,329	64,329	-
Total Miscellaneous Revenues	A-1	<u>51,833,372</u>	<u>50,304,460</u>	<u>(1,528,912)</u>
Receipts from Delinquent Taxes	A-1	<u>60,341</u>	<u>165,706</u>	<u>105,365</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax For Municipal Purposes Including				
Reserve for Uncollected Taxes	A-2	19,037,909	19,192,019	154,110
Addition to Local District School Tax		<u>14,574</u>	<u>16,804</u>	<u>2,230</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	2-A	<u>19,052,483</u>	<u>19,208,823</u>	<u>156,340</u>
Non-Budget Revenue	A-1		<u>191,655</u>	<u>191,655</u>
Budget Totals	A-3	<u>\$ 70,946,196</u>	<u>\$ 69,870,644</u>	<u>(1,075,552)</u>

City of Hoboken
Hudson County, New Jersey
Current Fund

Statement of 2004 Revenues

Year ended June 30, 2004

	<u>Reference</u>	
Analysis of realized revenues		
Allocations of current tax collections:		
Revenues from collections	A-1,2-A	\$ 82,556,422
Less allocated to school and county	2-A	<u>60,554,188</u>
		22,002,234
Add:		
Reserve for uncollected taxes	A-3	<u>182,000</u>
Amount for support of municipal budget appropriations	Below	<u><u>\$ 22,184,234</u></u>
Local tax for municipal purposes		
Added assessments	A-2	\$ 19,192,019
	A-2	<u>2,992,215</u>
	Above	<u><u>\$ 22,184,234</u></u>
Receipts from delinquent taxes:		
Delinquent taxes	2-A	\$ 137,622
Tax title liens	3-A	<u>28,084</u>
	A-2	<u><u>\$ 165,706</u></u>
Miscellaneous revenue not anticipated		
Public Safety Police		\$ 12,188
Hoboken Historic		1,375
Alcohol Beverage Receipts		30
Tax Searches		1,640
Variances		362
Duplicate Bills		3,825
Lien Calculations		1,680
Petty Cash Refund		150
Duplicate Tax Sale Certificate		1,800
Port Authority		167,864
Tax Redemption		741
	A-1, A-2, 1-A	<u><u>\$ 191,655</u></u>

See accompanying notes.

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
p. 1

Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Operations within "CAPS"							
Mayor's Office							
Salaries and Wages	\$ 260,400	\$ 259,400	\$ 259,105		\$ 295		
Other Expenses	1,500	2,000	1,522		478		
City Council							
Salaries and Wages	199,900	193,900	193,174		726		
Other Expenses	7,500	11,000	7,158	3,290	552		
City Clerk's Office							
Salaries and Wages	335,600	333,600	332,490		1,110		
Other Expenses	3,500	4,500	3,041	1,127	332		
Other Expenses-Legal Advertising	28,000	32,000	26,270	7,782		2,052	
Other Expenses-Codification of Ordinances	8,000	4,000	1,597		2,403		
Salaries and Wages-Elections	25,000	30,250	30,213		37		
Other Expenses-Elections (Emergency \$100,000)	150,000	250,000	214,832	35,013	155		
Business Administrator's Office							
Salaries and Wages	250,000	241,500	241,443		57		
Other Expenses	3,800	3,800	2,324	541	935		
Purchasing							
Salaries and Wages	187,600	195,100	191,509		3,591		
Other Expenses	2,500	2,500	2,479	20	1		
Personnel and Health Benefits							
Salaries and Wages	182,700	190,200	189,978		222		
Other Expenses	800	800	390	399	11		
Constituent Services							
Salaries and Wages	146,500	133,500	133,405		95		
Other Expenses	6,500	6,500	540		5,960		
Zoning Administration							
Salaries and Wages	135,100	137,600	137,475		125		
Other Expenses	1,000	1,000	98	216	686		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
p. 2

Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Uniform Construction Code							
Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)							
Salaries and Wages	740,000	702,000	701,966		34		
Other Expenses	60,000	98,500	98,271	29	200		
Corporation Counsel							
Salaries and Wages	385,000	379,000	378,727		273		
Other Expenses	12,000	13,000	10,593	2,386	21		
Other Expenses - Special Counsel	600,000	580,000	382,741	92,136	105,123		
Other Expenses - Expert Witness and Appraisal	5,000	5,000			5,000		
Revenue and Finance Director							
Salaries and Wages	121,000	123,600	123,173		427		
Other Expenses	4,000	3,500	2,544	317	639		
Annual Audit							
Other Expenses	230,000	121,300	114,446		6,854		
Accounts and Control							
Salaries and Wages	262,000	232,000	231,689		311		
Other Expenses	19,000	21,000	19,927		1,073		
Payroll							
Salaries and Wages	76,750	78,250	78,036		214		
Other Expenses	750	750	591		159		
Tax Collections							
Salaries and Wages	291,000	285,000	284,729		271		
Other Expenses	10,000	18,000	10,251	5,691	2,058		
Information Technology							
Salaries and Wages	53,700	53,700	52,751		949		
Office of the Tax Assessor							
Salaries and Wages	288,000	291,000	290,830		170		
Other Expenses	10,000	11,500	9,759	1,484	257		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Department of Human Services							
Director's Office							
Salaries and Wages	170,000	142,000	141,128		872		
Other Expenses	2,000	2,700	2,089	366	245		
Rent Leveling							
Salaries and Wages	175,000	164,000	160,888		3,112		
Other Expenses	7,000	7,000	3,325	1,608	2,067		
Housing Inspections							
Salaries and Wages	153,400	140,000	139,978		22		
Other Expenses	750	750	660		90		
Transportation							
Salaries and Wages	197,200	224,350	224,327		23		
Other Expenses	7,000	7,000	4,825	1,458	717		
Health							
Salaries and Wages	423,600	385,600	382,427		3,173		
Other Expenses	40,000	40,000	30,045	9,936	19		
Senior Citizens							
Salaries and Wages	409,100	353,400	353,379		21		
Other Expenses	25,000	25,000	23,633	807	560		
Hispanic and Minority Affairs							
Salaries and Wages	3,376	3,376	3,375		1		
Other Expenses	3,500	3,500	3,176	43	281		
Recreation and Cultural Affairs							
Salaries and Wages	775,000	783,600	773,592		10,008		
Other Expenses	255,000	261,400	235,102	23,128	3,170		
Department of Environmental Services							
Director's Office							
Salaries and Wages	411,150	424,150	422,940		1,210		
Other Expenses	3,500	3,500	1,982	527	991		
Parks							
Salaries and Wages	555,000	695,000	703,565			8,565	
Other Expenses	75,000	77,200	66,200	10,886	114		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Public Property							
Salaries and Wages	700,900	768,800	768,780		20		
Other Expenses	85,000	126,000	111,317	14,598	85		
Streets and Roads							
Other Expenses	35,000	67,000	65,062	496	1,442		
Signal and Traffic							
Salaries and Wages	201,500	214,200	214,195		5		
Other Expenses	22,000	30,000	21,523	8,912		435	
Central Garage							
Salaries and Wages	221,000	231,500	231,489		11		
Other Expenses	190,000	195,000	164,723	25,865	4,412		
Sanitation							
Salaries and Wages	1,543,800	1,534,800	1,534,783		17		
Other Expenses	2,900,000	2,800,000	2,508,205	80,000	211,795		
Department of Community Development							
Director's Office							
Salaries and Wages	132,000	147,500	147,426		74		
Other Expenses	125,000	109,500	75,741	8,809	24,950		
Grants Management							
Salaries and Wages	184,500	69,500	68,479		1,021		
Other Expenses	1,500	1,500	566		934		
Waterfront Development							
Other Expenses	45,000						
Planning Board							
Salaries and Wages	66,700	67,800	67,689		111		
Other Expenses	65,000	63,900	61,793	1,690	417		
Zoning Board of Adjustment							
Other Expenses	45,000	45,000	43,172	1,126	702		
Historic Preservation Committee							
Other Expenses	400	400	333		67		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Department of Public Safety							
Police							
Salaries and Wages (Emergency \$350,000)	12,634,704	13,005,204	13,005,369			165	
Other Expenses	265,000	271,000	239,316	30,721	963		
Fire							
Salaries and Wages (Emergency \$300,000)	11,550,000	11,856,500	11,856,286		214		
Other Expenses	265,000	265,000	151,269	32,655	81,076		
Uniform Fire Safety Act (PL83,c.383)							
Salaries and Wages	11,000	11,000	11,000				
Office of Emergency Management							
Salaries and Wages	20,000	20,000	19,912		88		
Other Expenses	2,000	2,000			2,000		
Municipal Court							
Salaries and Wages	805,000	868,500	868,378		122		
Other Expenses	105,000	110,000	78,891	30,469	640		
Public Defender							
Salaries and Wages	57,900	57,900	57,203		697		
Other Expenses	3,500	3,500	2,375		1,125		
Unclassified							
Alcoholic Beverage Control Board							
Salaries and Wages	7,200	7,200	7,000		200		
Other Expenses	5,000	5,000			5,000		
Volunteer Ambulance (NJSA 40:5-2)	40,000	40,000	40,000				
North Hudson Regional Council of Mayors							
Other Expenses	56,692	56,692	56,692		-		
Settlement of Claims Against City	183,000	183,000	175,000		8,000		
Towing/Storage of Abandoned Vehicles	3,750	3,750	2,270		1,480		
NJ Right to Know	20,000	20,000			20,000		
Engineering	85,000	85,000	80,571	4,387	42		
Municipal Dues and Memberships	15,000	10,000	7,824	3	2,173		
Celebration of Public Events	80,000	80,000	52,845	19,705	7,450		
Postage	100,000	100,000	99,930		70		
Office Machines	70,000	60,000	55,716	740	3,544		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Stationary and Office Supplies	9,500	9,500	7,285	2,188	27		
Electricity	400,000	400,000	345,789		54,211		
Street Lighting	535,000	546,000	493,956		52,044		
Gasoline	140,000	199,000	179,187		19,813		
Fuel	15,000	20,275	20,270		5		
Water and Sewer	40,000	40,000	38,190		1,810		
Communications	226,000	258,025	228,884	6,291	22,850		
Telecommunications Equipment	13,500	13,500	11,367		2,133		
Total Operations within "CAP"	43,123,722	43,873,722	42,714,754	467,845	702,340	11,217	-
Contingent					-		
Total Operations including contingent within "CAPS"	43,123,722	43,873,722	42,714,754	467,845	702,340	11,217	-
Detail							
Salaries and Wages	34,486,380	35,109,080	35,088,700	-	29,110	8,730	
Other Expenses (Including Contingent)	8,637,342	8,764,642	7,626,054	467,845	673,230	2,487	
Detail Total	43,123,722	43,873,722	42,714,754	467,845	702,340	11,217	-
Deferred Charges							
Overexpenditure of Appropriation	3,010,476	3,010,476	3,010,476				
Overexpenditure of Appropriation Reserve	220,062	220,062	220,062				
Deficit in Operations - 2003	1,285,130	1,285,130	1,285,130				
Overexpenditure of Grant Reserves	254,455	254,455					254,455
Statutory Expenditures							
Social Security System	900,000	1,070,000	1,069,927		73		
Consol. Police/Fire Pension Fund	170,000						
Unemployment Compensation	118,000	118,000	16,721		101,279		
Total Deferred Charges and Statutory Expenditures	5,958,123	5,958,123	5,602,316	-	101,352	-	254,455
Total Appropriations within "CAPS"	49,081,845	49,831,845	48,317,070	467,845	803,692	11,217	254,455
Operations - excluded from "CAPS"							
Maintenance - Free Public Library							
Salaries and Wages	726,900	726,900	688,208		38,692		

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Other Expenses	440,000	440,000	223,813	110,824	105,363		
Social Security	43,500	43,500	43,500				
Insurance: N.J.S.A. 40A:4-45.3							
General Liability	900,000	961,000	948,505		12,495		
Workers Compensation	330,000	355,000	333,557		21,443		
Employee Group Health	10,800,000	10,714,000	9,931,563	60	782,377		
Police/Firemen's Retirement	1,128,816	1,128,816	1,123,553		5,263		
Public Employees Retirement	76,996	76,996	76,821		175		
Hoboken Housing Authority							
Police Salaries and Wages	540,000	540,000	540,000				
Hoboken Board of Education							
Police Salaries and Wages	90,000	90,000	90,000				
Public and Private Programs Offset by Revenues							
Summer Food Service	33,005	33,005	33,005				
2003 Local Law Enforcement Block Grant	11,347	11,347	11,347				
COPS in School	375,000	375,000	375,000				
State Local Cooperative Housing Inspection Program	53,000	53,000	53,000				
Safe School and Communities	38,949	38,949	38,949				
NJ 2001 Body Armor Replacement Fund	15,000	15,000	15,000				
BOJA-2002 Bulletproof Vest Partnership Grant	1,300	1,300	1,300				
Domestic Violence	7,500	7,500	7,500				
Home Support & Adult Day Care Comprehensive Prog	77,500	77,500	77,500				
Home Support & Adult Day Care Comprehensive Prog - City Match	5,120	5,120	5,120				
Recycling Tonnage	48,000	48,000	48,000				
Clean Communities Program	33,068	33,068	33,068				
DOT Local Aid Centers of Places "Hoboken Signage"	50,000	50,000	50,000				
Statewide Livable Communities-Library Aid-ADA	75,000	75,000	75,000				
Statewide Livable Communities-Library Aid-ADA Improvements	50,000	50,000	50,000				
NJDEP Municipal Stormwater Regulation Program	20,619	20,619	20,619				
Total Operations excluded from "CAPS"	15,970,620	15,970,620	14,893,928	110,884	965,808	-	-
Detail:							
Salaries and Wages	1,835,196	1,835,196	1,796,504	-	38,692	-	
Other Expenses	14,135,424	14,135,424	13,097,424	110,884	927,116	-	

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Detail Total	15,970,620	15,970,620	14,893,928	110,884	965,808	-	-
Municipal Debt Service - Excluded from "CAPS"							
Payment Bond Principal	505,000	505,000	505,000		-		
Interest on Bonds	2,805,410	2,805,410	2,805,410		-		
Interest on Notes	125,100	125,100	112,590				12,510
Notes Payable - Hudson County Improvement Authority	58,000	58,000	58,000		-		
Loan Repayments for Principal and Interest	192,685	192,685	178,839				
Underground Storage Tank Loan	24,474	24,474	24,474		-		13,846
Total Municipal Debt Service - Excluded from "CAPS"	3,710,669	3,710,669	3,684,313	-	-	-	26,356
Deferred Charges - Excluded from "CAPS"							
Overexpenditure of Appropriations-offset by sale of asset	1,846,488	1,846,488	1,846,488				
5 Year Emergency Authorization-Master Plan	140,000	140,000	140,000				
	1,986,488	1,986,488	1,986,488	-	-	-	-
Local District School Purposes Excluded from "CAPS"							
Type I District School Debt							
Payment - Bond Principal	14,000	14,000	14,000				
Interest on Bonds	574	574	287				287
Total Local District School Purposes Excluded from "CAPS"	14,574	14,574	14,287	-	-	-	287
Total Appropriations - Excluded from "CAPS"	21,682,351	21,682,351	20,579,016	110,884	965,808	-	26,643
Subtotal	70,764,196	71,514,196	68,896,086	578,729	1,769,500	11,217	281,098
Reserve for Uncollected Taxes	182,000	182,000	182,000				
Total Appropriations	\$ 70,946,196	\$ 71,696,196	\$ 69,078,086	\$ 578,729	\$ 1,769,500	\$ 11,217	\$ 281,098
Reference	A-2	A-2	Below	Below	A	A-1, 10-A	

City of Hoboken
Hudson County, New Jersey
Current Fund

Exhibit A-3
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Statement of 2005 Appropriations

Year ended June 30, 2005

Appropriations	Appropriated		Expended		Reserved	Overexpended	Canceled
	Budget	Modified Budget	Paid or Charged	Encumbered			
Analysis of paid or charged							
Cash disbursements	1-A		\$ 61,499,522				
Reserve for uncollected taxes	Above, A-2		182,000				
Deferred charges	10-A		6,502,156				
Grants	20-A		894,408				
	Above		<u>\$ 69,078,086</u>				
2005 Appropriations	Above			\$ 578,729			
2004 Appropriations	11-A			8,958			
Total encumbered	A			<u>\$ 587,687</u>			

Trust Fund

Exhibit

City of Hoboken
Hudson County, New Jersey
Trust Fund

Comparative Balance Sheet

		Balance, June 30	
	Reference	2005	2004
<u>Assets</u>			
<u>Animal Control Trust Fund:</u>			
Cash	1-B	\$ 12,673	\$ 13,587
Total		<u>\$ 12,673</u>	<u>\$ 13,587</u>
<u>Other Trust Fund:</u>			
Cash	1-B	\$4,835,008	\$ 3,923,092
Total		<u>\$4,835,008</u>	<u>\$ 3,923,092</u>
<u>Section 8 - Housing Assistance Program:</u>			
Cash	1-B	\$1,021,706	\$ 877,894
Due from Community Development Block Grant Trust Fund	7-B		34,367
Loans Receivable	10-B	4,604,890	4,604,890
Total		<u>\$5,626,596</u>	<u>\$ 5,517,151</u>
<u>Community Development Block Grant Trust Fund:</u>			
Grant Receivable	3-B	\$ 678,574	\$ 673,008
Due from Section 8 - Housing Assistance Program	7-B	33,718	
Total		<u>\$ 712,292</u>	<u>\$ 673,008</u>

		Balance, June 30	
	Reference	2005	2004
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund:</u>			
Due to Current	2-B	\$ 148	\$ 148
Due to State of New Jersey	4-B	160	328
Reserve for Animal Control Expenditures	5-B	12,365	13,111
Total		<u>\$ 12,673</u>	<u>\$ 13,587</u>
<u>Other Trust Fund:</u>			
Reserve for Other Trust Fund Deposits	6-B	\$ 4,835,008	\$ 3,923,092
Total		<u>\$ 4,835,008</u>	<u>\$ 3,923,092</u>
<u>Section 8 - Housing Assistance Program:</u>			
Due to Community Development Block Grant Trust Fund	7-B	\$ 33,718	
Reserve for Section 8 - Housing Assistance Program	9-B	925,988	\$ 850,261
Due to Current Fund	11-B	62,000	62,000
Reserve for Loans Receivable	12-B	4,604,890	4,604,890
Total		<u>\$ 5,626,596</u>	<u>\$ 5,517,151</u>
<u>Community Development Block Grant Trust Fund:</u>			
Due to Section 8 - Housing Assistance Program	7-B		\$ 34,367
Reserve for Community Development Block Grant	8-B	\$ 462,292	388,641
Due to Current Fund	13-B	250,000	250,000
Total		<u>\$ 712,292</u>	<u>\$ 673,008</u>

See accompanying notes.

General Capital Fund

Exhibits

City of Hoboken
County of Hudson, New Jersey
General Capital Fund

Balance Sheets

		June 30	
	Reference	2005	2004
Assets			
Cash	1-C, 2-C	\$ 118,039	\$ 3,953,680
Deferred charges - overexpenditure of ordinances	6-C	(614,118)	
Due from Current Fund	10-C	866,501	744,550
Deferred charges to future taxation:			
Funded	3-C	50,474,969	51,163,338
Unfunded	4-C	6,894,503	6,894,503
		<u>\$ 57,739,894</u>	<u>\$ 62,756,071</u>
Liabilities, reserves and fund balance			
Improvement authorizations:			
Funded	6-C	\$ 703,195	\$ 1,322,645
Unfunded	6-C	1,238,970	3,612,596
Reserve for Encumbrances	6-C	133,742	240,238
Bond anticipation notes payable	7-C	6,255,000	6,255,000
General serial bonds	8-C	48,047,442	48,552,442
School serial bonds payable	9-C	-	14,000
Green Acres Loans payable	11-C	2,280,686	2,425,581
Underground Storage Tank Loan payable	12-C	146,841	171,315
Reserve for Castle Point Project	13-C	28,885	28,885
Capital improvement fund	5-C	7,173	7,173
Fund balance	C-1	126,196	126,196
		<u>\$ 58,968,130</u>	<u>\$ 62,756,071</u>

There were bonds and notes authorized but not issued on June 30, 2005 and 2004 in the amount of \$639,503. (Schedule 14-C).

See accompanying notes.

City of Hoboken
County of Hudson, New Jersey
General Capital Fund

Statement of Fund Balance

Year ended June 30, 2005

	<u>Reference</u>	
Balance, June 30, 2005 and 2004	C	<u>\$ 126,196</u>

See accompanying notes.

Parking Utility Funds

Exhibits

City of Hoboken
County of Hudson, New Jersey
Parking Utility Fund

Balance Sheets

		June 30	
	Reference	2005	2004
Assets			
Operating Fund:			
Cash	1-D	\$ 1,838,323	\$ 2,300,537
Due from Current Fund	2-D	205,558	251,844
Deferred charge	9-D	345,611	800,720
Total assets		<u>\$ 2,389,492</u>	<u>\$ 3,353,101</u>
Capital Fund:			
Fixed capital	3-D	\$ 42,637,288	\$42,472,288
Due from Operating Fund	10-D		165,000
Total assets		<u>\$ 42,637,288</u>	<u>\$42,637,288</u>
Liabilities, reserves and fund balance			
Operating Fund:			
Appropriation reserves	D-3	\$ 359,481	
Security deposits	4-D	170,079	\$ 170,079
Accrued interest payable	5-D	707,068	665,158
Due to Capital Fund	10-D		165,000
Fund balance	D-1	1,152,864	2,352,864
Total liabilities and fund balance		<u>\$ 2,389,492</u>	<u>\$ 3,353,101</u>
Capital Fund:			
Bonds anticipation notes payable	6-D	\$ 5,280,000	\$ 5,280,000
Bonds payable	7-D	24,800,000	25,680,000
Reserve for amortization	8-D	12,557,288	11,677,288
Total liabilities, reserves and fund balance		<u>\$ 42,637,288</u>	<u>\$42,637,288</u>

There were no bonds and notes authorized but not issued at June 30, 2005 and 2004.

See accompanying notes.

City of Hoboken
County of Hudson, New Jersey
Parking Utility Fund

Statements of Operations and Changes in Fund Balance - Operating Fund

		Year ended June 30	
	Reference	2005	2004
Revenue and other income:			
Operating surplus anticipated	D-2	\$ 1,200,000	\$ 2,624,287
Parking Fees - Continuing Operations	D-2	7,453,960	6,860,628
Parking Fees - Midtown Garage	D-2	1,925,497	1,421,837
Parking Fees - 916 Garden St.	D-2	682,749	535,145
Permits	D-2	471,781	548,232
Coupons	D-2	148,221	211,063
Miscellaneous	D-2	3,118	3,808
Interest on Investments	D-2	59,389	47,256
Other credits to income:			
Cancellation of retainage payable			125,974
Total revenues		11,944,715	12,378,230
Expenditures:			
Salaries and wages	D-3	1,410,122	1,150,846
Other expenses	D-3	3,742,810	2,956,234
Debt service	D-3	2,253,646	2,241,758
Statutory expenditures	D-3	235,750	85,451
Deferred charges	D-3	700,011	481,338
Surplus (General Budget)	D-3	3,847,278	5,374,721
Other			
		12,189,617	12,290,348
Excess in revenue		(244,902)	87,882
Adjustments to income before fund balances:			
Expenditures included above which are deferred charges to budget of succeeding year:			
Expenditure without an appropriation	D-3	244,902	737,393
Statutory excess to surplus		-	825,275
Fund balance, beginning of year	D	2,352,864	4,151,876
		2,352,864	4,977,151
Decreased by utilization as anticipated revenue	D-2	1,200,000	2,624,287
Fund balance, end of year	D	\$ 1,152,864	\$ 2,352,864

See accompanying notes.

City of Hoboken
County of Hudson, New Jersey
Parking Utility Fund

Statement of Revenue - Operating Fund

Year ended June 30, 2005

	Reference	Anticipated		Excess or (Deficit)
		Budget	Realized	
Operating surplus anticipated	D-1	\$ 1,200,000	\$ 1,200,000	\$ -
Parking Fees - Continuing Operations	D-1,1-D	7,680,379	7,453,960	(226,419)
Parking Fees - Midtown Garage	D-1,1-D	1,645,000	1,925,497	280,497
Parking Fees - 916 Garden St.	D-1,1-D	700,000	682,749	(17,251)
Permits	D-1,1-D	565,000	471,781	(93,219)
Coupons	D-1,1-D	350,000	148,221	(201,779)
Miscellaneous	D-1,1-D	3,800	3,118	(682)
Interest on Investments	D-1,1-D	4,250	59,389	55,139
	D-3	<u>\$12,148,429</u>	<u>\$11,944,715</u>	<u>\$ (203,714)</u>

See accompanying notes.

City of Hoboken
County of Hudson, New Jersey
Parking Utility Fund

Statement of Expenditures - Operating Fund

Year ended June 30, 2005

	Budget Appropriations	Modified Budget	Paid or Charged	Reserved	Overexpended	Canceled
Operating:						
Salaries and wages	\$ 1,286,000	\$ 1,286,000	\$ 1,410,122		\$ 124,122	
Other expenses	3,192,810	3,192,810	3,162,467	\$ 30,343		
Other expenses-Group Health Benefits	550,000	550,000	250,312	299,688		
Debt service:						
Payment of bond principal	880,000	880,000	\$ 880,000			
Interest on bonds and notes	1,343,876	1,343,876	1,373,646		29,770	
Statutory Expenditures						
Public Employee's Retirement System	29,450	29,450		29,450		
Social Security	115,290	115,290	206,300		91,010	
Deferred charges:						
Expenditure without appropriation	700,011	700,011	700,011			
Surplus (General Budget)	4,050,992	4,050,992	3,847,278			\$ 203,714
	<u>\$ 12,148,429</u>	<u>\$ 12,148,429</u>	<u>\$ 11,830,136</u>	<u>\$ 359,481</u>	<u>\$ 244,902</u>	<u>\$ 203,714</u>
Reference	D-2	D-2	Below, A-1	D	D-1, 9-D	
Cash disbursements	1-D		\$ 9,756,479			
Deferred charges	9-D		700,011			
Accrued interest	5-D		1,373,646			
Above			<u>\$ 11,830,136</u>			

See accompanying notes.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

A. Introduction

Incorporated as a city in 1855, the City of Hoboken is a municipality located in Hudson County, New Jersey. As a municipality, the City functions independently through a Mayor-Council form of government adopted by the electorate at a referendum held in November, 1952, pursuant to New Jersey Statutes Annotated ("N.J.S.A.") Title 40:69A-31 through 40:69A-67.2. The governing body consists of nine elected council members, six of which represent each of the City's six wards, and three of which are elected "at-large." The ward council members are elected to concurrent four year terms, which begin on June 30 of the year before a leap year. The at-large council members are elected with the mayor, to concurrent four year terms which begin on June 30 of the year after a leap year. The mayor does not vote on council matters. The purpose of the City is to provide general municipal services and conduct general municipal affairs, as provided for by the City's departments: Administration, Environmental Services, and Human Services. In July 2001, a fourth City department, Community Development, was created through the transfer of several divisions from the Administration and Human Services departments.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes the reporting model to be used by general purpose governmental units when reporting financial position and results of operations in conformity with accounting principles generally accepted in the United States (GAAP).

The financial statements of the City of Hoboken, New Jersey (the "City") have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

B. Description of Funds

The accounts of the City are maintained in accordance with the Division's principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The Division's principles of fund accounting require that resources be classified for

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In addition, the Division also requires the establishment of the General Fixed Assets Account Group. The General Fixed Assets Account Group is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Under this method of accounting, the City accounts for its financial transactions through the following four separate funds and account group, which differ from the fund structure and reporting model required by GAAP.

Current Fund - Accounts for all revenues and expenditures applicable to the general operations of City departments and agencies. Federal and state grant awards are included in the Current Fund as the Federal and State Grant Fund.

Trust Funds - Account for assets held by the City in a trustee capacity or as an agent for individuals or other government agencies. Funds held by the City which have restrictions placed on the use of such funds are recorded in the Trust Funds.

General Capital Fund - Accounts for financial resources to be used for the acquisition of general capital facilities. The major resources are derived from the sale of serial bonds and bond anticipation notes.

Parking Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the parking utility.

General Fixed Assets Account Group - Accounts for all fixed assets purchased by the Current Fund and the General Capital Fund.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. Except where noted below, the modified accrual basis of accounting is used. The more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Under GAAP, the modified accrual basis of accounting requires that revenues be recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures - Expenditures are recorded on the budgetary basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at June 30 are reported as a cash liability in the financial statements and constitute part of the City's statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at June 30 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Under GAAP, the modified accrual basis of accounting requires that expenditures in the Current Fund be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. Additionally, appropriation reserves are not established under GAAP.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved.

GAAP would require such property to be recorded at its fair value at the time of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

GAAP would not require the establishment of an offsetting reserve for interfund receivables.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

General Fixed Assets - Fixed assets used in governmental operations (general fixed assets) would be accounted for in the General Fixed Assets Account Group. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems would not be capitalized. All fixed assets would be valued at historical cost or estimated historical cost if actual historical cost is not available, except for land which would be valued at estimated fair value. No depreciation would be provided for in the financial statements. Expenditures for construction in progress would be recorded in the General Capital Fund until such time as the construction is completed and put into operation. Fixed assets acquired through grants in aid or contributed capital would not be accounted for separately.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Under GAAP, different accounting treatment would apply to certain items. For instance, construction in progress would be recorded as a capital asset in the Statement of Net Assets.

Fixed Assets–Parking Utility Fund - Property and equipment purchased by the Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not propose to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the utility funds.

Reserve for Payment of Insurance Claims - Cash held by the municipality for the payment of future insurance claims is offset by a reserve in the Trust Fund.

Insurance claims incurred are not recorded as a liability but would be recorded as a liability under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid.

GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long term obligation in the Statement of Net Assets.

D. Reporting Entity

GASB Statement 14 establishes criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the City to be recorded separately. The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by the provisions of N.J.S. 40A:5-5.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The primary criterion for including activities within the City's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the financial statements of the following entities would be shown as component units on the City's financial statements under GASB Statement 14. Financial statements for the entities listed below can be obtained from the respective entity's chief financial officer or secretary to the board.

Hoboken Housing Authority
Hoboken Library

E. Statutory-Basis Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the statutory-basis financial statements to be in accordance with GAAP. The City presents the statutory-basis financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the statutory-basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

F. Budgets/Budgetary Control

As required by N.J.S.A. 40A:4-1 et seq., the Local Budget Law, the annual budget is introduced by resolution, submitted to the Division for approval, advertised, heard publicly at least 10 days later, and finally adopted. Amendments, if any, must be made prior to budget adoption, and go through a similar process as permitted by N.J.S.A. 40A:4-9. This process is supposed to begin no later than August 10 of the City's budget year and must take at least 28 days before the budget may be adopted. A temporary budget is permitted until the budget is

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

adopted. Budget revenues use the cash basis, and appropriations use the modified accrual basis of accounting. The legal level of budgetary control is established at individual appropriations. Transfers of appropriations may be made by City resolution only during May and June. Additional budget revenues and appropriations after adoption may only be made with Division approval pursuant to N.J.S.A. 40A:4-46, 53 or 54 (emergencies) or N.J.S.A. 40A:4-87 (grants awarded after budget adoption). A grant award by itself does not create legal spending authority for the City, and must be budgeted prior to the related grant expenditures being made.

The Local Budget Law also has numerous other unique requirements, such as a cap on the budget increase from one year to the next (based on the government price inflation of the State), and appropriation reserves (at June 30, unexpended balances of budget appropriations, unless canceled by resolution, are reserved). These appropriation reserves have similar form and constraints as the budget, with certain exceptions. For instance, appropriation reserve transfers may only be made by City resolution in July, August and September, and unexpended appropriation reserves lapse, creating an increase to fund balance.

The other funds included on the budget are not significant. Trust funds are only listed by title through a memorandum section, "Dedication by Rider," pursuant to N.J.S.A. 40A:4-39. Capital improvement activities are reflected in the Capital Budget section, but this inclusion is more of a planning tool, and does not create legal spending appropriations in the General Capital Fund, which appropriations must be created through ordinance.

Budgetary Basis of Accounting - Budgetary integration into the accounting system is employed as a management control device during the year. Substantial differences exist between GAAP and the City's budgetary basis of accounting as described in Note 1(C). A reconciliation between the two would not be meaningful or informative, and therefore is not provided herein.

G. Encumbrances

With respect to encumbrances, when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system, expenditures are recognized. Outstanding encumbrances at June 30 are reported as a cash liability in the financial statements.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

H. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

I. Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the City, and that are due within one year.

J. Long-Term Obligations

General long-term debt is recognized as a liability of the General Capital Fund and Parking Utility Capital Fund.

K. Reserves (Other than Reserve for Receivables)

Reserves, other than “reserve for receivables” are considered as liabilities, and not as a reservation of fund balance.

L. Reserves for Receivables

Reserves for receivables are offsetting balance sheet account credits that are created to preserve the cash basis revenue recognition required by the Division's accounting principles.

M. Fund Balance

Fund equity represented on the financial statements consists solely of fund balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

2. Deposits and Investments

Deposits

State of New Jersey statutes permit the deposit of public funds in institutions located within the State and which are insured by the Federal Deposit Insurance Corporation (FDIC), the Saving Association Insurance Fund (“SAIF”), or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund.

Additionally, the City deposits public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at last equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- The market value of the collateral must equal five percent of the average daily balance of public funds; or,
- If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve system and has capital funds of not less than \$25,000,000. The City has complied with all statutes and regulations applicable to deposits and investments.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

The carrying amount of the City's cash and cash equivalents as of June 30, 2005 was \$15,420,184, and the bank balance was \$17,451,472, of which \$600,000 was insured by the FDIC and the remaining \$16,910,181 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

As of June 30, 2005, the City implemented disclosure requirements of GASB Statement No. 40, *Deposit and Investment Disclosures*. GASB Statement No. 40 requires that the City disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the City would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the City.

The City does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The City's deposits were fully collateralized by funds and held by the financial institution, but not in the name of the City. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

New Jersey Cash Management Fund

All investments in the New Jersey Cash Management Fund ("NJCMF") are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer.

Investments

New Jersey municipalities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey municipalities.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

New Jersey statutes permit local governments to invest in the instruments listed below.

- Bonds or other obligations of the United States or obligations guaranteed by the United States.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the New Jersey Department of the Treasury, Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey Cash Management Fund.
- Repurchase agreements (repos) of fully collateralized securities, subject to certain conditions defined in the above statute.
- Obligations issued by (New Jersey) State government and its agencies as permitted by State laws.

As of June 30, 2005 and 2004, cash and cash equivalents of the City consisted of the following:

	2005	2004
Checking accounts	\$11,675,644	\$ 8,818,236
Savings accounts	3,069,530	4,440,265
Funds held in trust	–	2,069,451
Certificates of Deposit	633,718	747,158
NJ Cash Management Fund	41,291	40,443
Cash on hand	750	750
Total	<u>\$15,420,933</u>	<u>\$16,116,303</u>

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

3. Property Taxes Receivable and Property Tax Calendar

Property taxes receivable are recorded in the Current Fund as each semiannual tax levy billing is approved. At fiscal year-end, the receivables represent delinquent taxes.

Property taxes collected by the City are divided into three components: 1) the municipal portion for the City; 2) the school district portion for the Hoboken Board of Education; and 3) the county portion for the County of Hudson. The combined total of the three tax levy components is known as the general tax levy. The school district and county portions are required to be remitted by the City in full to the Hoboken Board of Education and County of Hudson, respectively. Any uncollected amount of the general tax levy becomes the burden of the City. New Jersey Statutes require municipalities within the State to make allowance for the uncollected amount of the general tax levy via appropriation in the municipal budget. This appropriation, Reserve for Uncollected Taxes, serves to increase the amount of the municipal portion of the general tax levy to an amount sufficient to allow for the estimated amount not expected to be collected during the fiscal year. The statutory lower limit of this estimate is based on a calculation which generally takes the prior year tax collection percentage and applies it to the amount required to be raised by municipal tax levy in order to support the municipal budget. There are certain exceptions to using the prior year tax collection rate as the calculation factor, such as a three-year average or a reserve for uncollected taxes exclusion, but these require a resolution approved by the City's governing body and approval by the Director of the Division of Local Government Services.

Taxes are levied every six months, with scheduled levy dates on June 14 and December 1 in accordance with Chapter 72 of the 1994 Laws of New Jersey. The taxes levied on June 14 are due one-half by August 1 and one-half by November 1. The taxes levied on December 1 are due one-half by February 1 and one-half by May 1. A ten-day grace period is allowed for payments of tax levy bills beyond the scheduled due dates. After the ten-day grace period has expired, the taxes are considered delinquent, and accrue interest from the scheduled due date at rates established by City resolution in accordance with New Jersey Statutes.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

4. Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funded debt issued. Pursuant to New Jersey Statutes Annotated 40A:2-4, the City may levy taxes on all taxable property within its boundaries to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

5. Long-Term Debt

Changes in Outstanding Debt

Transactions for the fiscal year ended June 30, 2005 are summarized as follows:

	Balance, June 30, 2004	Issued	Refunded/ Retired	Balance, June 30, 2005
General:				
General Serial and Term Bonds	\$48,552,442		\$ 505,000	\$48,047,442
School Serial Bonds	14,000		14,000	—
Bond anticipation notes	6,255,000	\$ 6,255,000	6,255,000	6,255,000
Green Trust Loans	2,425,581		144,895	2,280,686
Underground Storage Tank Loan	171,315		24,474	146,841
Parking Utility:				
General Serial Bonds	25,680,000		880,000	24,800,000
Bond anticipation notes	5,280,000	5,280,000	5,280,000	5,280,000
Total	<u>\$88,378,338</u>	<u>\$11,535,000</u>	<u>\$13,103,369</u>	<u>\$86,809,969</u>

Bonds Payable/Local Bond Law

Bonds are authorized in accordance with N.J.S.A. 40A:2, the Local Bond Law, which governs the issuance of bonds to finance general municipal capital and utility expenditures. The general procedure for the authorization for issuance of City bonds is to introduce it as an ordinance, with submittal of a supplemental debt statement to the Division. The ordinance is then advertised, heard publicly at least 10 days after the introduction and 7 days after the advertisement, and finally adopted. Amendments, if any, that are made prior to adoption, go through a similar process, except that a supplemental debt statement may not have to be filed. The adopted ordinance is then advertised with a statement that there is a 20 day period in which the public may dispute the ordinance. At the end of the 20 day period, the ordinance becomes effective. N.J.S.A. 40A:2-7 permits certain exceptions to this procedure. All bonds

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

issued by the City are general obligation bonds, backed by the full faith and credit of the City and retired in serial installments. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years, or be retired by the issuance of bonds.

Statutory Net Debt Percentage

The City's statutory net debt at June 30, 2005 and June 30, 2004 was 1.05% and 1.22%, respectively, of the average valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the City for the last three (3) preceding years (the Equalized Valuation Basis).

Summary of Municipal Debt

	June 30	
	2005	2004
Gross debt:		
Local school district debt:		
Type II loans issued	\$ 2,372,453	\$ 2,618,334
Type II bonds issued	519,000	779,000
Total local school district debt	<u>2,891,453</u>	<u>3,397,334</u>
General debt:		
Term bonds issued	48,047,442	48,552,442
Loans payable	2,427,527	2,596,896
Promissory note payable - HCIA	935,429	993,429
Bond anticipation notes issued	6,255,000	6,255,000
General debt authorized but not issued by the City	639,503	639,503
Type I bonds issued	—	14,000
Total general debt	<u>58,304,901</u>	<u>59,051,270</u>
Parking utility debt:		
Bonds issued	24,800,000	25,680,000
Bond anticipation notes issued	5,280,000	5,280,000
Total parking utility debt	<u>30,080,000</u>	<u>30,960,000</u>
Total gross debt	<u>91,276,354</u>	<u>93,408,604</u>
Less:		
Deduction for local school district debt	2,891,453	3,397,334
Deduction for general debt	7,382,442	7,382,442
Deduction for self-liquidating debt	30,080,000	30,960,000
Total net debt	<u>\$ 50,922,459</u>	<u>\$ 51,668,828</u>
Equalized valuation basis	\$4,841,359,285	\$4,240,056,109
Net debt divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended	1.05%	1.22%

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

Equalized valuation basis is the average of the equalized valuations of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the City for the last 3 preceding years.

Net debt as of June 30, 2005 and 2004 divided by equalized valuation basis per N.J.S.A. 40A:2-2., as amended did not exceed the 3.5% debt limitation allowed by N.J.S.A. 40A:2-6.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

	June 30	
	2005	2004
3 1/2% of equalized valuation basis (municipal)	\$169,447,575	\$148,401,964
Net debt	50,922,459	51,668,828
Remaining borrowing power	<u>\$118,525,116</u>	<u>\$ 96,733,136</u>

Annual Requirements to Retire Permanent Debt Obligations - Principal and interest for all permanent debt (bonds and loans) outstanding at June 30, 2005 is as follows:

Fiscal Year	General		Parking Utility		Total
	Principal	Interest	Principal	Interest	
2006	\$ 1,157,279	\$ 2,353,830	\$ 915,000	\$ 1,185,336	\$ 5,611,445
2007	1,530,251	2,331,159	950,000	1,150,566	5,961,976
2008	2,938,281	2,299,335	985,000	1,114,466	7,337,082
2009	3,066,372	2,197,523	1,020,000	1,077,036	7,360,931
2010	3,204,527	2,079,464	1,075,000	1,025,424	7,384,415
2011-2015	18,739,303	8,027,577	6,150,000	4,296,126	37,213,006
2016-2020	14,749,706	2,856,740	7,850,000	2,652,850	28,109,296
2021-2025	2,846,809	815,090	5,855,000	578,813	10,095,712
2026-2030	1,628,900	4,171,475	—	—	5,800,375
2031-2033	613,541	3,951,459	—	—	4,565,000
	<u>\$50,474,969</u>	<u>\$31,083,652</u>	<u>\$24,800,000</u>	<u>\$13,080,617</u>	<u>\$119,439,238</u>

Hudson County Improvement Authority - (Promissory Note)

On December 21, 1989, the Mayor and City Council, acting as the Redevelopment Agency of the City of Hoboken, conveyed to Hudson Square North Associates L.P. Parcel F of the River Street Development area for consideration of \$1,023,770 received and a purchase

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

money mortgage note of \$1,500,000. Using the mortgage note as collateral, the City obtained a loan in the amount of \$1,500,000 from the County's Affordable Housing Trust Fund. As of June 30, 2005 and 2004, the unpaid balance was \$935,429 and \$993,429, respectively, and is recorded as a liability in the current fund.

6. Fund Balance Appropriated

	<u>June 30, 2005</u>
Parking Utility Fund	
Fund balance	\$1,152,864
Appropriated and included as anticipated revenue in succeeding year's budget	600,000

The accounting principles and requirements prescribed by the Division do not provide for reservations or designations of fund equity.

7. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheets of the individual funds as noted.

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Current Fund:		
Deficit in operations	\$1,282,504	\$1,285,130
Overexpenditure of appropriations	160,963	5,006,710
Overexpenditure of appropriation reserves	16,096	220,062
Emergency authorization	750,000	—
Special emergency authorization	140,000	280,000
Total Current Fund	<u>\$2,349,563</u>	<u>\$6,791,902</u>
Federal and State Grant Fund:		
Expenditure with appropriation	<u>\$ 872,685</u>	
Total Federal and State Grant Fund	<u>\$ 872,685</u>	
Parking Utility Fund:		
Expenditure without appropriation	<u>\$ 345,611</u>	\$ 800,720
Total Parking Utility Fund	<u>\$ 345,611</u>	<u>\$ 800,720</u>

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

8. Pension Plans

City employees who are eligible for pension coverage are enrolled in one of three State Pension Plans. The State pension systems were established by the act of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State Legislature. The three State administered pension funds are: the Consolidated Police and Firemen's Pension Fund (CPFPPF); the Public Employees' Retirement System (PERS); and the Police and Firemen's Retirement System (PFRS). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Township is not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution for the fiscal years ended June 30, 2005 and 2004, excluding the contribution for postretirement medical benefits in the PERS.

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS and PFRS provide for employee contributions based on percentages 4.5% and 8.5% through December 31, 1999 and 3.0% and 8.5% thereafter, respectively, of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in the PERS and PFRS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

8. Pension Plans (continued)

The City's contribution for pension expense for PERS, PFRS and CPFPPF combined, for the years ended June 30, 2005, 2004 and 2003 amounted to \$1,200,374, \$466,030 and \$418,218, respectively.

<u>Year ended June 30</u>	<u>PERS</u>	<u>PFRS</u>	<u>CPFPPF</u>
2005	\$76,821	\$1,123,553	—
2004	—	465,383	\$647
2003	55,687	225,409	137,122

9. Postretirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required the Public Employees Retirement System (“PERS”) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one-half of one percent of the active payroll.

10. Deferred Compensation Plan

The City offers its employees a Deferred Compensation Plan (the “Plan”) created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended by the Small Business Job Protection Act of 1996. Under the legislation, all funds deferred under the Plan and any other assets or income of the Plan held in trust are for the exclusive benefit of the participating employees and their beneficiaries. The State incorporated this requirement into its amendment to N.J.S.A. 43:15B-5 on June 6, 1997, and also amended N.J.A.C. 5:37-1 et seq. to reflect the new requirements.

Effective June 17, 1998, the Division approved the City's amendment to its Plan in order to conform to the new requirements. Pursuant to the approved Plan as amended, the City irrevocably renounces all claims and rights which the City or any of its creditors may have previously retained to use, for their own benefit, amounts held under the Plan.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

11. Related Obligation – North Hudson Sewerage Authority

In connection with the creation of the North Hudson Sewerage Authority (the “NHS A”), which was created in October 1996, through a consolidation between the Hoboken-Union City-Weehawken Sewerage Authority (the “HUCWSA”) and the West New York Municipal Utilities Authority (the “WNYMUA”), a service agreement between the City (together with the Hudson County municipalities of Union City, Weehawken, and West New York) and the NHS A was executed. The related obligation of the City with respect to the current service agreement pertains to service charges and annual charges.

In connection with this agreement, the NHS A will charge users of its system, service charges, for all sewage treated or disposed of by the NHS A and for all use and services to its system. Such service charges shall be established at rates estimated to be sufficient to provide for all amounts necessary to pay or provide for the expenses of operation and maintenance of the NHS A’s system and the principal and interest on any and all bonds as they become due, to maintain the amounts required to held in accordance with the bond resolution provisions.

According to the agreement, annual charges, if any, are assessed to and payable by the City in the same percentage as the most recent determination by the NHS A, of the allocation of the annual flow among the municipalities. The most recent determination by the NHS A of the allocation of the annual flow is as follows: (i) Hoboken 23%, (ii) Union City 36%, (iii) Weehawken 14% and (iv) West New York 27%.

Also as part of the agreement, on or before January 1 of each fiscal year, the NHS A will make an estimate of the amount of the annual charges, if any, which will become payable by the City for such fiscal year. On or before February 15 of each fiscal year, the City will pay to the NHS A the amount of any annual charges not paid relating to any prior fiscal year. The City will pay to the NHS A that part of the estimated amount of the annual charges for the current fiscal year in four equal installments on March 1, June 1, September 1 and November 1 of such fiscal year. As of June 30, 2005, the City had paid all installments due.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

12. Contingent Liabilities

A. Compensated Absences (Unaudited)

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date. Costs are recognized when paid, rather than in the period earned. It is estimated that the current cost of such unpaid compensation would be approximately \$17,000,000 as of June 30, 2005. This amount is not reported either as an expenditure or liability.

B. Grants

The City receives federal and state financial assistance in the form of grants and entitlements. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. During 2005 and 2004, the City is subject to the requirements of the Single Audit Act Amendments of 1996, which mandated that all federal grant revenues and expenditures be audited in conjunction with the municipal audit. In addition, substantially all State grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. As of June 30, 2005, the City estimates that no material liabilities will result from such audits.

C. Litigation

The City is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to manage these risks, the City maintains commercial insurance coverage for property, liability and surety bonds. For 2005, the City obtained reinsurance coverage and umbrella coverage which limited the City risk retention to \$5,000 per occurrence and an aggregate limit of \$20,000,000 for general liability and automotive claims. The City is not aware of any claims pending that have a demand in excess of these coverages.

City of Hoboken
Hudson County, New Jersey

Notes to Financial Statements (continued)

12. Contingent Liabilities (continued)

The City utilizes a self-insured risk management program for claims relating to workers' compensation. The City engaged an outside claims service administrator to serve as the fund administrator. Reserves are established by the City for estimated benefits and expenses for reported claims. The City charges to Current Fund operations all claims rendered during the year which will be paid from expendable available financial resources. The City paid claims for the years ended June 30, 2005 and 2004 in the amount of \$333,557 and \$300,825, respectively.

E. Tax Appeals

At June 30, 2005, there are approximately 43 tax appeals pending before the New Jersey Tax Court requesting a reduction of assessed valuation for years 2005 and prior. The aggregate assessed valuation of the properties under appeal totals approximately \$75,401,000. The City has not set up a reserve for this amount, but instead intends to issue additional refunding bonds and/or notes to pay for adverse judgments arising from tax appeal cases.

13. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2005:

	Interfund Receivable	Interfund Payable
Current Fund	\$ 733,982	\$1,072,059
Federal and State Grant Fund	—	421,834
Trust – Section 8 - Housing Assistance Program	—	95,718
Trust – Animal Control Trust Fund	—	148
Trust – Community Development Block Grant Trust Fund	33,718	250,000
General Capital Fund	866,501	—
Parking Utility – Operating Fund	205,558	—
	<u>\$1,839,759</u>	<u>\$1,839,759</u>

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APPENDIX C

**FORM OF INDENTURE OF TRUST
AND FIRST SUPPLEMENTAL INDENTURE**

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HOBOKEN MUNICIPAL HOSPITAL AUTHORITY	
and	
COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee	
Dated as of February 1, 2007	

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST dated as of February 1, 2007 (this “*Indenture*”) by and between the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**, a public body corporate of the State of New Jersey (the “*Authority*”), and **COMMERCE BANK, NATIONAL ASSOCIATION**, as trustee (together with its successors in the trust created hereunder, the “*Trustee*”), a banking corporation organized under the laws of the United States, with fiduciary and trust powers in the State of New Jersey, having a corporate trust office in Cherry Hill, New Jersey.

WITNESSETH:

WHEREAS, the Hoboken Municipal Hospital Authority (the “*Authority*”) has been established by the City of Hoboken, in the County of Hudson, New Jersey (the “*City*”) pursuant to the Municipal Hospital Authority Law, N.J.S.A. 30:9-23.15 *et seq.* (the “*Act*”), to acquire certain assets relating to “St. Mary Hospital” (the “*Hospital Facilities*”) in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to operate them; and

WHEREAS, in furtherance of its powers and pursuant to the provisions of the Act, the Authority may issue, from time to time, its bonds, notes or other obligations (collectively, the “*Obligations*”), and may secure such Obligations in the manner provided in the Act; and

WHEREAS, the Authority has determined to acquire the Hospital Facilities and, in connection therewith, to finance, among other things, initial working capital for the Authority, the establishment of certain reserve funds, the acquisition of certain real and personal property, the construction of certain capital improvements, and the payment of costs of issuance, all as more fully described in the hereinafter defined Bond Resolution (the “*Initial Project*”); and

WHEREAS, to finance a portion of the costs of the Initial Project, the Authority has determined to issue one or more initial series of bonds, in an aggregate principal amount not to exceed \$52,000,000 (the “*Initial Bonds*”), which Initial Bonds will be issued pursuant to the Act and this Indenture; and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Act and the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.* (the “*Local Bond Law*”); and

WHEREAS, the Authority has made a detailed report dealing with the Initial Project (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

receive and receipt for any of the Revenues and other sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable hereunder or hereunder or under the Bonds and under the City Guaranty, to bring actions and proceedings hereunder or for the enforcement thereof, to grant consents, approvals and waivers, and to do any and all things which the Authority is or may become entitled to do hereunder.

GRANTING CLAUSE SECOND

Any and all other property rights and interests of every kind and nature from time to time hereafter acquired by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, or pledged to the Trustee, or otherwise subjected hereto, as and for additional security herewith (as expressly provided for in a written agreement), by any other Person on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

GRANTING CLAUSE THIRD

Any and all monies or proceeds of collateral (including real property) acquired by the Authority as a result of the exercise of any remedies under this Indenture.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds, from time to time, issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any portion of the principal of the Bonds over any other portion of the principal of the Bonds, except to the extent otherwise expressly provided herein (including the provisions hereof governing the application of various funds and accounts for the benefit of particular series of Bonds);

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or redemption price of and interest on, the Bonds due or to become due thereon, at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required hereunder, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, or such lesser amount to be invested and held as provided in Article XII hereof, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void, except to the

WHEREAS, the Authority may, from time to time, issue hereunder one or more additional series of bonds, notes or other obligations on a parity with the Initial Bonds (collectively with the Initial Bonds, the “*Bonds*”); and

WHEREAS, in order to provide inducement to the prospective purchasers of the Initial Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, the City will provide for the guaranty of the Bonds to be issued by the Authority and for the execution of one or more guaranty agreements relating thereto (collectively, the “*City Guaranty*”); and

WHEREAS, all things necessary to make the Bonds when authenticated by the Trustee and issued as provided for in this Indenture, the valid, binding and legal obligation of the Authority according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the Revenues (as herein defined) of the Authority for payment of the principal, and premium, if any, of and interest on, the Bonds have been done and performed, and the creation, execution and delivery of this Indenture, and the issuance of the Initial Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and representations hereinafter contained, and intending to be legally bound, the parties hereby mutually agree as follows:

KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

The Authority, intending to be legally bound hereby and in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure, as provided herein, the payment of the principal or redemption price of and interest on, the Bonds according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants expressed herein and in the Bonds, does hereby assign and grant a security interest in the following (the “*Trust Estate*”) to the Trustee, and its successors in trust and assigns forever (subject to discharge as provided for in Article IX hereof), for the securing of the performance of the obligations of the Authority hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the Authority in and to the Revenues and all money and securities from time to time held by the Trustee under the terms of this Indenture or credited to any fund or account established hereunder, other than any monies or securities in the Rebate Fund, including but not limited to the present and continuing right to make claim for, collect,

extent specifically provided in Article XII hereof; otherwise this Indenture shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the amounts payable under this Indenture and any other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the Owner(s) of the Bonds as follows:

ARTICLE I
Definitions and Interpretations

Section 101. Definitions.

The following terms which are used as defined terms herein, unless the context clearly requires otherwise, shall have the meanings which are set forth below:

“Accountant” means any independent certified public accountant of the State of New Jersey (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Authority) selected by the Authority from time to time.

“Accounting Period” means a calendar month.

“Act” means the Municipal Hospital Authority Law of New Jersey, constituting Chapter 46 of the Pamphlet Laws of 2006, of the State of New Jersey (N.J.S.A. 30:9-23.15 *et seq.*), and the acts amendatory thereof and supplemental thereto.

“Additional Bond” means any of the bonds of the Authority which are authorized and issued under and pursuant to the terms of Section 311 hereof.

“Annual Budget” means the budget or the amended budget for a Fiscal Year, as adopted by the Authority in accordance with the provisions of Section 609 hereof and the provisions of the Act and of the Local Authorities Law, and as may be amended or supplemented from time to time; provided however that if no Annual Budget has been adopted by the Authority, the Annual Budget shall mean the proposed budget or budgets of the Authority for such interim period.

“Annual Debt Service” means, with respect to any Series of Bonds and any Fiscal Year, (i) interest on Outstanding Bonds, and (ii) Principal Installments on such Series of Bonds payable during such Fiscal Year.

“Authority” means the Hoboken Municipal Hospital Authority, a public body politic and corporate of the State of New Jersey organized and existing under the Act and created and existing by virtue of an ordinance of the governing body of the City.

“Authority Officer” means the Chairman, the Vice Chairman, the Executive Director, the Secretary, the Treasurer and the Assistant Secretary of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document.

“Authorized Newspaper” means a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the County of Hudson, New Jersey, or in the Borough of Manhattan, City and State of New York, which may be The Bond Buyer.

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prior to said date of computation. The initial Capital Replacement Requirement shall be set forth in a Supplemental Indenture or resolution of the Authority duly adopted prior to the authentication and delivery of the Initial Bonds.

“City” means the City of Hoboken, in the County of Hudson, New Jersey, a municipal corporation of the State.

“City Guaranty” means the guaranty of the City adopted pursuant to N.J.S.A. 30:9-23.21(c), securing the timely payment of the principal of and interest on all or a portion of the Bonds issued by the Authority, as approved by ordinance or ordinances of the City Council of the City, as same may be amended from time to time.

“Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated thereunder, and any regulations promulgated under the Internal Revenue Code of 1954, as amended, to the extent applicable to the Bonds.

“Construction Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 401 hereof.

“Cost” or “Costs of the Hospital” means “cost” as defined in the Act.

“Counsel’s Opinion” means an opinion which shall be signed by an attorney or firm of attorneys of recognized standing (who may be counsel to or of counsel to the Authority) which shall be selected by the Authority, which opinion shall be satisfactory in form and content to the Authority, and, if such opinion is required to be delivered to the Trustee, which opinion shall be satisfactory in form and content to the Trustee.

“Debt Service” for any period means, as of any date of calculation, and with respect to a Series of Bonds, an amount equal to the sum of (i) the amount of interest accruing during such period on Outstanding Bonds of such Series except to the extent that such interest is to be paid from deposits in the Debt Service Fund made from Bond proceeds or by payment of investment income which is required to be deposited or transferred into the Debt Service Fund, and (ii) that portion of each Principal Installment for such Series of Bonds that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series of Bonds or, if there shall be no preceding Principal Installment due date, from a date one year (or such lesser period as shall be appropriate if Principal Installments shall become due more frequently than annually) preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever is later; provided however, that in the case of Variable Rate Bonds, with respect to a particular period the date of calculation, the interest rate thereon shall be calculated at the lesser of the maximum short-term rate prevailing in the preceding twelve months for said Variable Rate Bonds or the Maximum Interest Rate established for said Variable Rate Bonds.

“Debt Service Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

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“Bon Secours” means Bon Secours Health System, Inc., a Maryland not-for-profit corporation, and/or any of its affiliates.

“Bond” or “Bonds” means any of the bonds (whether Variable Rate Bonds or Fixed Rate Bonds), Project Notes and other obligations, whether issued on a taxable or tax-exempt basis, of the Authority which shall be authenticated and delivered in one or more Series under and pursuant to the terms of this Indenture.

“Bondholder”, “Owner” or the term “Holder” or any similar term when used with reference to a Bond or Bonds means the Registered Owner. A Financing Facility Provider or Liquidity Provider which owns Bonds by purchase or is subrogated to the rights of Bondholders is a Bondholder for purposes of the Indenture.

“Bond Counsel” means GluckWalrath LLP or such other attorney or firm of attorneys with experience and nationally recognized expertise in the area of municipal finance as may be appointed by the Authority from time to time.

“Bond Insurer” means the municipal bond insurance provider with respect to any series of Bonds, and means Financial Security Assurance Inc. and its successors with respect to the Series 2007 Bonds.

“Bond Payment Obligations” mean the Authority’s obligation to pay the principal or Redemption Price of and interest on the Bonds, including Bonds held by Financing Facility Providers and Liquidity Providers.

“Bond Resolution” means a resolution of the Authority adopted by the Authority on January 3, 2007 entitled “A RESOLUTION AUTHORIZING THE ISSUANCE OF HOSPITAL REVENUE BONDS, NOTES OR OTHER OBLIGATIONS OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY”, as amended and supplemented.

“Book-Entry Bonds” mean any Bonds which are issued in book-entry form as evidenced by a single certificate for each stated principal maturity of the Bonds which Bonds are in registered form and delivered to a Securities Depository.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which either State or federally chartered banking institutions in the City of New York or the State of New Jersey are authorized or obligated by law or executive order to close.

“Capital Replacement Fund” means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

“Capital Replacement Requirement” means as of any particular date of computation, the amount, if any, which is reasonably necessary and desirable as a reserve for expenses with respect to a Project for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals, as shall most recently have been stated the Annual Budget of the Authority and filed with the Trustee by the Authority not more than twelve months

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“Debt Service Requirement” means as of any particular date of computation in a Fiscal Year, and with respect to Bonds Outstanding on such date, an amount of money equal to any unpaid interest, Redemption Price or principal due, plus all interest payable on or payment of which is deemed to accrue through the end of the Accounting Period during which such date of computation occurs and all principal payable on or the payment of which is deemed to accrue through the end of such Accounting Period. For purposes of computing the Debt Service Requirement, interest for Variable Rate Bonds shall be computed in accordance with the requirements which are set forth therefor in the definition of “Debt Service” above.

“Debt Service Reserve Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

“Debt Service Reserve Financing Facility” means any letter of credit, surety bond, loan agreement or other credit agreement, facility, insurance or guarantee arrangement issued by a financial institution, insurance company or association which is obtained by the Authority, in satisfaction of all or any portion of the Debt Service Reserve Requirement.

“Debt Service Reserve Requirement” means, as to each series of Bonds, the amount, if any, which has been determined by a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Series of Bonds, or by a Series Resolution. All or any portion of the Debt Service Reserve Requirement may be satisfied by depositing funds in the Debt Service Reserve Fund or by obtaining a Debt Service Reserve Financing Facility.

“Defeasance Securities” mean, if and to the extent the same are at the time legal for investment of the Authority’s funds, (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) non-callable notes, bonds, debentures, mortgages or other evidence of indebtedness that, at the time acquired, are (a) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System or any other instrumentality of the United States of America, and (b) rated in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds, (iii) any obligations of any state or political subdivision of a state (“Refunded Bonds”) which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, (iv) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System (v) obligations described in clause (ii) of the definition of “Investment Obligations,” and (vi) obligations described in clause (x) of the definition of “Investment Obligations” which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds.

“Fiduciary” means the Trustee, the Registrar, the Paying Agent, the Tender Agent, the Remarketing Agent, or any and all of them, as the case may be.

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"Financing Facility" means, to the extent permitted by law, any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, currency exchange agreement, interest rate floor or cap, options, puts or calls to hedge payment, currency, rate, spread or similar exposure or similar agreements, float agreements, forward agreements, insurance contracts or policies, surety bonds, commitments to purchase or sell bonds, purchase or sale agreements, or commitments or other contracts or agreements and other security agreements, including Swaps and Liquidity Facilities.

"Financing Facility Payment Obligations" mean all payment and reimbursement obligations of the Authority to a Financing Facility Provider in connection with any Financing Facility securing or entered into in connection with all or a portion of any Series of Bonds.

"Financing Facility Provider" shall mean the issuer or provider of a Financing Facility.

"Fiscal Year" means the period of twelve consecutive months, as shall be determined from time to time by a resolution duly adopted by the Authority. The current Fiscal Year of the Authority is the calendar year.

"Fixed Rate Bonds" means any Bonds which bear interest at a fixed, non-variable interest rate from the date such Bonds are issued by the Authority or converted (in the case of Variable Rate Bonds which are converted to Fixed Rate Bonds), as the case may be, until the stated maturity date thereof or the date fixed for redemption, as the case may be.

"Government Grant" means any sum of money which is hereafter received or which is receivable by or on behalf of the Authority from the United States of America or any instrumentality, authority or agency thereof, or from the State of New Jersey, or from any instrumentality, county, municipality, authority or agency thereof, as or on account of a grant or contribution not repayable by the Authority, in and of, or with respect to, the construction, acquisition, operation or other development of any part of the Hospital Facilities or Costs associated therewith, or a financing of any such planning, design, construction, acquisition, operation or development.

"Government Loan" means any such of money which is hereafter received or receivable by or on behalf of the Authority from the United States of America or any instrumentality, authority or agency thereof, or from the State of New Jersey, or any instrumentality, county, municipality, authority or agency thereof, as or on account of a loan which is repayable by the Authority in accordance with the terms established with respect thereto, in and of, or with respect to, the (a) planning, design, construction, acquisition, operation or other development of any part of the Hospital Facilities or Costs associated therewith, or (b) financing of any such planning, design, construction, acquisition, operation or development.

"Herein," "hereunder," "hereby," "hereto" and "hereof" and any similar terms refer to the Indenture; the term "heretofore" means prior to the adoption of the Indenture; and the term "hereafter" means subsequent to the adoption of the Indenture.

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(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States (stripped securities are only permitted if they have been stripped by the agency itself), including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iv) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

(v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies, or any commercial bank with the above ratings, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility

"Hospital" means the Hoboken University Medical Center, formerly known as St. Mary Hospital, located in the City and including such real and personal property utilized for its operations and such other facilities as the Authority may determine by resolution.

"Indenture" means this Indenture of Trust, as it may be amended or supplemented from time to time in accordance with its terms.

"Indexing Agent" means a nationally recognized indexing authority, or any other corporation, association or investment banking institution having skill and expertise in connection with the determination of an interest rate to be borne by variable rate obligations (which may, but need not, be the Remarketing Agent), in order to assist, to the extent provided in Section 313 hereof, in determining the rate of interest to be borne by Variable Rate Bonds, or any other corporation, firm or association which may at any time be substituted in its place pursuant to the terms of the Indenture, as shall be appointed by the Authority pursuant to the terms of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Interest Index" means the index, if any, which shall be used to determine the variable rate of interest to be borne by Variable Rate Bonds, which index shall be established in accordance with the terms of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Interest Payment Date" means, with respect to a Series of Bonds, each date set forth in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds on which accrued interest on the Bonds of such Series shall be payable.

"Interest Period" means a specified period for the calculation of interest on Variable Rate Bonds, as more specifically provided in a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Investment Agreement" means an investment agreement with (i) a commercial bank or trust company or a national banking association in any case having a capital stock and surplus of more than \$100,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of any two Rating Agencies then rating the Bonds required to maintain the rating then in effect or to obtain the rating to be obtained on the Bonds in respect of which such Investment Agreement is entered into, which agreement provides for the investment of funds held in the Funds and Accounts, which funds shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Securities, as the same may be amended from time to time.

"Investment Obligations" mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) Defeasance Securities;

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Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 *et seq.* or 31 CFR 350.0 *et seq.* or a successor provision in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

(e) the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund, other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller.

(vii) Banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus in the amount of \$1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of Funds under this Indenture with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

(xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency

(which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by at least one Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$75,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds; and

(xiv) Investment Agreements.

Notwithstanding the above, as of the date of execution of this Indenture, the following types of investments are permitted investments under New Jersey law: (1) bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; (2) government money market mutual funds; (3) any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor; (4) bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; (5) bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units; (6) local government investment pools; (7) deposits with the State of New Jersey Cash Management Fund; (8) agreements for the repurchase of fully collateralized securities, if: (a) the underlying securities are permitted investments pursuant to subparagraphs (1) and (3) of this paragraph, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236, and (e) a master repurchase agreement providing for the custody and security of collateral is executed; and (9) any obligations which are expressly authorized as permissible investments for municipal hospital authorities.

"Liquidity Facility" means an insurance policy, letter of credit, line of credit, standby purchase agreement or other agreement or facility issued by a financial institution, insurance company or association pursuant to which the Authority may obtain funds for payment of the principal of and accrued interest on Bonds upon the tender of such Bonds for purchase by the Holder thereof or upon the redemption of such Bonds by the Authority. The issuer of any

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"Operating Reserve Fund" means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

"Operating Reserve Fund Requirement" means an amount of money which is equal to \$5,000,000, or such greater amount as the Authority may determine in its sole discretion by Supplemental Indenture.

"Option Bonds" means Bonds which by their terms may be tendered by and at the option of the Holders thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

"Outstanding," when used with reference to a particular Series of Bonds and as of any particular date, describes all Bonds of such Series theretofore and thereupon being authenticated and delivered except (a) any Bond of such Series which has been cancelled by the Authority or by the Registrar on or prior to said date, (b) any Bond of such Series the payment or redemption of which has been provided for by either the deposit of cash, or moneys and/or Investment Obligations sufficient to defease such Bonds in accordance with the provisions of Section 1201 hereof, (c) any Bond of such Series in lieu of or in substitution for which another Bond of such Series shall have been authenticated and delivered pursuant to the provisions of the Indenture, and (d) any Variable Rate Bond which shall be deemed to have been purchased by the Tender Agent in connection with (i) any event which requires that a Bondholder tender its Variable Rate Bonds which are the subject of such notice are not delivered on the date required by the Indenture.

"Parity Financing Facility Payment Obligations" mean Financing Facility Payment Obligations which, by the terms of the Supplemental Indenture or Series Resolution authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are on a parity with the Bond Payment Obligations.

"Paying Agent" means any paying agent for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1102(a) hereof, and its successor or successors, and any other corporation or association that may at any time be substituted in its place pursuant to the terms of the Indenture.

"Payment Date" means each date on which payment of interest or Principal Installments with respect to any Bonds or payment of any Financing Facility Payment Obligations shall be due and payable.

"Permitted Encumbrances" means, as of any particular time (i) any rights of the City and/or Bon Secours under the Asset Transfer Agreement relating to the acquisition of the Hospital by the Authority from Bon Secours, (ii) any rights of the City under any guaranty agreement implementing the terms of the City Guaranty, (iii) liens for taxes and special assessments not then delinquent, (iv) utility, access and other easements and rights of way, mineral rights, encroachments and exceptions which will not interfere with or impair the operation of the Hospital, (v) such minor defects, irregularities, encumbrances, easements, rights

Liquidity Facility shall be rated in the highest short-term rating category assigned by either Standard & Poor's Corporation or Moody's Investors Service.

"Liquidity Provider" means the issuer of a Liquidity Facility.

"Local Authorities Law" means the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto.

"Maximum Interest Rate" means, with respect to any particular Variable Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Indenture or Series Resolution authorizing such Variable Rate Bond, which shall be the maximum rate of interest such Variable Rate Bond may at any time bear.

"Operating Expenses", means the Authority's reasonable and necessary current expenses including without limiting the generality of the foregoing, all administrative, general and commercial expenses, management fees, insurance and surety bond premiums, engineering or architectural expenses, legal expenses, auditing expenses, costs of maintaining, repairing and operating the Hospital, labor and related benefit costs and escrows related thereto, all administrative, general and commercial expenses, insurance and surety bond premiums, engineering expenses, legal and other professional service expenses, auditing expenses, any taxes that may be lawfully imposed on the Authority or its income or operations or the property under its control, fuel and utility costs, permit fees, compliance monitoring costs, rentals of equipment or other property, maintenance and repair expenditures refunds or moneys lawfully due to others, payments to third-party payors or sources of federal, State or local financial assistance (including the City), Subordinated Financing Facility Payment Obligations, and any other current expenses required or permitted to be paid by the Authority under the Indenture or by law, all to the extent property and directly attributable to the Hospital under generally accepted accounting principles), and any other current expenses or payments required to be paid by the Authority under the provisions of the Indenture or by law, all to the extent properly and directly attributable to the Project, expenses in connection with the issuance of Bonds, any expenses or payments required under or pursuant to the City Guaranty, and the expenses, liabilities and compensation of any Fiduciary required to be paid hereunder, but not including any reserves for operation, amortization, interest on Bonds, or similar charges.

"Operating Fund" means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

"Operating Fund Requirement" means, as of the 1st Business Day of each month, an amount of money which is equal to the sum of (i) the amount necessary to provide for the payment of Operating Expenses for the ensuing Accounting Period in accordance with the provisions of the Annual Budget, or if such amount has not been determined for the ensuing Accounting Period, then 1/12 of the Operating Expenses in accordance with the Annual Budget, plus (ii) the amount necessary to provide for the payment of Operating Expenses incurred during any preceding Accounting Period in accordance with the Annual Budget but which have not yet been paid.

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of way, covenants running with the land and clouds of title as normally exist with respect to properties similarly used for hospital purposes and which do not materially impair the property affected thereby for the purpose for which they are held, (vi) statutory rights under Section 291, Title 42 of the United States Code as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes, (vii) leases, contracts, licenses and other arrangements for the use of all or a portion of the Hospital and (viii) purchase money security interest with respect to capital assets used or to be used for hospital purposes.

"Person" means an individual, a corporation, a partnership (whether general or limited), an association, a joint stock company, a trust, any unincorporated organization, any limited liability company, a governmental body, any other political subdivision, municipality or authority or any group entity.

"Principal Installment" means, as of any particular date of calculation and with respect to a particular Series of Bonds, an amount equal to the principal amount of Outstanding Bonds of such Series maturing on a single future date plus the principal amount of any Sinking Fund Installments coming due on such future date; provided, however, that, with regard to Project Notes, "Principal Installment" shall mean only that amount of principal, if any, which is to be paid from current Revenues in the then current Fiscal Year pursuant to the Annual Budget and shall not include such amounts as are expected to be paid with the proceeds of Bonds in anticipation of which such Project Notes were issued or by renewal of such Project Notes.

"Private Grants" means, any sum of money or real or personal property received by the Authority from private individuals or entities, as or on account of a grant or charitable contribution not repayable by the Authority, in and of, or with respect to the construction, acquisition, operation or other development of any part of the Hospital Facilities or costs associated therewith; provided however, that any grants received from Bon Secours as part of the acquisition of the Hospital shall not be included herein, except as designated for operating expenses.

"Project" means the acquisition, construction, improvement or operation of any facilities by the Authority including, but not limited to, the Initial Project, as defined in a Supplemental Indenture(s) authorizing the issuance of a series of Bonds.

"Project Notes" means any bond anticipation notes, including renewals thereof, heretofore or hereafter issued, the proceeds of which are applied to the Costs of the Project, including costs of issuance of and interest on any such obligations.

"Rating Agency" means Standard & Poor's Rating Group, and any successor thereto, if it has assigned a rating to any Bonds, Moody's Investors Service, and any successor thereto, if it has assigned a rating to any Bonds, Fitch, Inc., and any successor thereto, if it has assigned a rating to any Bonds, or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds.

"Rebate Fund" means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

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“Record Date” means, with respect to a particular Series of Bonds, (a) the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date in the event that the Interest Payment Date is the first (1st) day of the month, (b) the first (1st) day (whether or not a Business Day) of the calendar month in which an Interest Payment Date occurs in the event that the Interest Payment Date is the fifteenth (15th) day of such month or, (c) as otherwise provided for a Series of Bonds in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

“Redemption Price,” means, when used with respect to any Bond or a portion thereof, the principal amount of such Bond (or portion thereof) plus the applicable redemption premium, if any, which is payable upon redemption thereof in the manner contemplated in accordance with its terms and in accordance with the terms of the Indenture, together with interest accrued thereon to the date fixed for redemption.

“Registered Owner” means the owner of any Bond which is issued in fully registered form, as determined on the Record Date, and as reflected on the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar.

“Registrar” means the registrar or bond registrar for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1102(b) hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Indenture.

“Remarketing Agent” means any remarketing agent for any Variable Rate Bonds which shall be appointed by the Authority pursuant to a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds, and its successor or successors, acting for the purpose of remarketing any Variable Rate Bonds which have been tendered for purchase by the Holders thereof in order to obtain funds which are necessary to pay the purchase price of such Variable Rate Bonds upon the tender thereof, or any other corporation, banking institution or investment banking firm which may at any time be substituted in its place pursuant to the terms of the Indenture and the agreement appointing the Remarketing Agent.

“Reserve Fund Bond or Bonds” shall mean each Series of Bonds which is secured by an account within the Debt Service Reserve Fund, and each Bond which is a part of such Series pursuant to the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

“Revenue Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

“Revenues” means (a) all revenues, fees, charges, rents, rates, receipts and other charges and other income derived or to be derived by the Authority from or for the ownership, operation, use or services of the Hospital, including all Government Grants, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper instruments or other rights, and the proceeds thereof, (b) any income derived

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“Supplemental Indenture” means any indenture of the Authority amending or supplementing the Indenture which is duly executed and delivered by the Authority and which becomes effective in accordance with the terms of Article VIII hereof.

“Tax-Exempt Obligations” means any Series of Bonds which are issued pursuant to the terms of the Indenture together with, or as to which after the date of issuance thereof there is issued, an opinion of Bond Counsel to the effect that the interest on such Bonds is excludable from gross income pursuant to the provisions of the Code (notwithstanding the application of the provisions of the Code relating to alternative minimum taxation).

“Tender Agent” means any tender agent which shall be appointed by the Authority pursuant to a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds, and its successor or successors, in connection with the purchase of Variable Rate Bonds which are tendered by the Holders thereof, or any other banking institution, corporation or investment banking firm which may be substituted therefor pursuant to the terms of the Indenture or the terms of the agreement appointing the Tender Agent.

“Term Bonds” shall mean the Bonds of a Series which shall be stated to mature on one date, rather than serially, and which shall be subject to retirement by operation of Sinking Fund Installments.

“Trust Estate” shall have the meaning set forth in the Granting Clauses hereof.

“Trustee” means the trustee for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1101 hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Indenture.

“Variable Rate Bonds” means any Bonds which bear interest at a variable rate of interest and which are issued in accordance with the terms of Article III hereof.

Words importing persons include firms, associations and corporations.

Words importing the maturity or payment of a Bond do not include or connote redemption of such Bond prior to maturity pursuant to the terms of the Indenture or the payment of the Redemption Price thereof.

Words importing the redemption of, redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity date, or the payment of such Bond upon declaring the same due and payable in advance of such maturity date, or the purchase of such Bond.

Words importing the singular number include the plural number and vice versa.

Articles and Sections which are mentioned herein by number are the respective Articles and Sections of the Indenture which are so numbered.

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from the investment of funds (other than the Rebate Fund) which are held pursuant to the Indenture (subject to the provisions governing the application of such investment income), and (c) the proceeds of any insurance coverages on and condemnation awards in respect of any assets of the Authority and allocable to losses of operating revenues, income or receipts of the types hereinbefore in this definition mentioned or referred to (including, without limitation, the proceeds of any business interruption or use and occupancy insurance and any portions of any net condemnation awards made in respect of lost revenues or disruptions in the receipt thereof); provided, however, that “Revenues” shall not include (i) any Private Grants with respect to the construction or acquisition of the Project, unless specified and identified for operational costs, (ii) gifts, grants, bequests, donations and contributions thereto or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income therefrom, to the extent required by such designation, or (iii) amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Initial Bonds, unless otherwise provided by Supplemental Indenture.

“Securities Depository” means the depository for any Book-Entry Bonds which are issued hereunder and which shall be appointed by the Authority pursuant to the Terms of Section 1102 hereof, and its successor or successors and any corporation or financial or banking institution which may be substituted in its place pursuant to the terms of the Indenture.

“Series” when used with respect to less than all of the Bonds, means all of the Bonds which are authenticated and delivered on original issuance in a simultaneous transaction and which are so designated by the Supplemental Indenture or Series Resolution authorizing such Series of Bonds, regardless of variations in maturity, interest rate or other provisions, and any Bonds which are thereafter authenticated and delivered in lieu of or in substitution for any of such Bonds under and pursuant to the terms of the Resolution; provided however, that Bonds which are issued as Tax-Exempt Obligations shall in no event be treated as being part of the same Series as Bonds which are not Tax-Exempt Obligations.

“Series Resolution” shall mean a resolution adopted by the Authority making certain determinations in connection with the issuance of a Series of Bonds pursuant to the Indenture providing for, among other items, the issuance of such Series of Bonds. Each Series Resolution shall be deemed to be a part of the applicable Supplemental Indenture.

“Sinking Fund Installment” means with respect to any Term Bonds, each amount so designated which is established pursuant to the terms of the Supplemental Indenture or Series Resolution authorizing such Term Bonds.

“State” means the State of New Jersey.

“Subordinated Financing Facility Payment Obligations” means Financing Facility Payment Obligations which, by the terms of the Supplemental Indenture or Series Resolution authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are subject and subordinate to the Bond Payment Obligations.

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Section 102. Successors and Assigns.

Whenever the Authority is named or referred to in this Indenture, such reference shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations, and agreements by or on behalf of, and other provisions for the benefit of, the Authority which are contained in the Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of the Indenture or to comply with or fulfill any conditions which are set forth in the Indenture.

Section 103. Interested Parties.

Nothing which is contained in the Indenture (expressed or implied) is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Authority, any Fiduciary, the issuer of any Financing Facility or Liquidity Facility and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements which are contained in the Indenture and which are to be performed by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, any Fiduciary, the issuer or any Financing Facility (including the bond insurance policies issued in connection with the Series 2007 Bonds) or Liquidity Facility, any Bond Insurer and the Holders of the Bonds.

Section 104. Severability of Invalid Provisions.

If any one or more of the covenants or agreements which are contained in the Indenture which are to be performed on the part of the Authority, any Fiduciary or any agent or employee of the Authority should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed separate from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Indenture or of the Bonds.

Section 105. Applicable Law.

The Indenture is executed pursuant to statutes of the State of New Jersey, and the law of said State shall be applicable to its interpretation and construction.

Section 106. Short Title.

This Indenture of Trust may hereafter be cited by the Authority and is hereinafter sometimes referred to as the “Indenture.”

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ARTICLE II
Authorization and Issuance of Bonds of the Authority

Section 201. General Provisions for Issuance.

(A) The Bonds are issued pursuant to the Act and the Authority has ascertained and hereby determines that each and every act, matter, thing or course of conduct for which provision is made in the Indenture is necessary in order to carry out and to effectuate the purposes of the Authority in accordance with the Act and to carry out powers expressly given to the Authority in the Act and to further secure the payment of the principal of, redemption premium, if any, and interest on the Bonds.

(B) The Bonds shall be direct and special obligations of the Authority and the principal of, redemption premium, if any, and interest on the Bonds shall be payable from the moneys and accounts which are pledged as and to the extent provided in the Granting Clauses and in Section 502 hereof. All Bonds and Bondholders and any Financing Facility Provider or Liquidity Facility Provider (for as long any Financing Facility Payment Obligations to such Financing Facility Provider or Liquidity Facility Provider are outstanding) shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal of, redemption premium, if any, and interest on the Bonds. THE BONDS SHALL NOT CONSTITUTE A DEBT, LIABILITY OR PLEDGE OF THE CREDIT OF THE CITY OF HOBOKEN, OTHER THAN TO THE EXTENT OF THE CITY GUARANTY THEREOF.

Section 202. Authorization of Bonds.

(A) Pursuant to the Bond Resolution, the Authority has authorized the issuance from time to time, in one or more series, on a taxable or tax exempt basis, for any of its corporate purposes. Each such series of Bonds shall be designated as "City of Hoboken Guaranteed Hospital Revenue Bonds, Series _____", together with such additional designation as may be provided in the applicable Supplemental Indenture. The Bonds shall be issued for the purpose of financing all or a portion of the Costs of the Project or such Additional Project as may be authorized by a Supplemental Indenture authorizing such Bonds.

(B) Pursuant to the Bond Resolution, the Authority has authorized the issuance of the Initial Bonds in one or more Series, on a taxable or tax-exempt basis, and in an aggregate principal amount of not to exceed \$52,000,000 of the purpose of financial all or part of the Initial Project. The terms of the Initial Bonds shall be determined by Supplemental Indenture authorizing such Initial Bonds.

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Section 205. Authentication of Bonds.

The Bonds shall bear thereon a certificate of authentication, substantially in a form set forth in Section 1207 hereof, which shall be duly executed by an authorized officer of the Trustee or Registrar. Only such Bonds as shall bear such certificate of authentication thereon, and which have been duly executed, shall be entitled to any right or benefit under the terms of the Indenture. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication, upon such Bond shall have been duly executed by the Trustee or by the Registrar, as the case may be. The certificate of authentication upon any Bond shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under the terms of the Indenture and that the Holder thereof is entitled to the benefit of the Indenture.

Section 206. Interchangeability of Bonds.

Registered Bonds, upon surrender thereof at the principal corporate trust office of the Registrar, together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, accompanied by a signature guarantee, may, at the option of such Registered Owner, be exchanged for Registered Bonds of the same Series, designations, maturity and interest rate of any other of the authorized denominations. Book-Entry Bonds shall be subject to exchange upon the terms and conditions provided in a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

Section 207. Authorization for Guaranty of Bonds by City and Provision for Endorsement of City Guaranty on Bonds.

The Bonds shall be entitled to the benefits of a City Guaranty. Prior to the authentication and delivery of the Bonds of each series upon original issuance, provision shall have been made for the guaranty of the timely payment of principal of and interest on such Bonds by the City. The City Guaranty shall be printed on the face of each of the Bonds and shall be in substantially the form set forth in Section 1207 hereof and shall be duly executed by the manual or facsimile signature of the Mayor of the City. Any payments made by the City pursuant to the terms of the City Guaranty shall be made to the Trustee and shall thereafter be deposited by the Trustee in the Debt Service Fund or the Debt Service Reserve Fund (as applicable) and shall be applied in accordance with the terms of Section 509 hereof.

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Section 203. Medium of Payment; Form and Date; Letters, Numbers and Legends.

(A) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Bonds of each Series may be issued only in the form of fully registered Bonds without coupons, and unless otherwise authorized by a Supplemental Indenture or Series Resolution, Bonds of each Series shall be in substantially the form set forth in Section 1207.

(C) Each Bond shall be lettered and numbered as provided in the Supplemental Indenture or Series Resolution authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(D) Except as may be otherwise provided for any Series of Bonds in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds, the Bonds of each Series shall be dated as of their date of delivery and authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered; provided, further, that if the date of authentication shall be prior to the first Interest Payment Date for the Bonds of such Series, Bonds shall be dated as provided in the Supplemental Indenture or Series Resolution authorizing the Bonds of such Series. Bonds of each Series shall bear interest from their date.

(E) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

Section 204. Execution of the Bonds.

Each Bond shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman or Executive Director and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of its Secretary, Treasurer or Assistant Secretary. In the event that any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee upon original issuance, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who signed, sealed or attested such Bonds had not ceased to be such officer. Any Bonds may be signed, sealed or attested on behalf of the Authority by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not have held such office.

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ARTICLE III
Registration, Transfer, Exchange Cancellation of Bonds and Additional Bonds

Section 301. Registration of Registered Bonds and Agency Therefor.

The Authority shall cause the Registrar to maintain and keep books for the registration and transfer of the Bonds, and, upon presentation thereof for such purpose at the designated office of the Registrar, together with a written instrument of transfer which is satisfactory to the Registrar, and which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Registrar may prescribe, any Registered Bond which shall be entitled to registration, transfer or exchange. The Registrar is hereby appointed by the authority to serve as its agent for such registration, transfer or exchange of Bonds. Provisions relating to the transfer and registration of Book-Entry Bonds shall be determined by a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

Section 302. Transfer of Registered Bonds.

Each Registered Bond shall be transferable only upon the registration books of the Authority at the designated office of the Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney, together with a signature guarantee and such other and further documentation as the Registrar may reasonably request. Upon the transfer of such Registered Bond, the Authority shall execute, and the Registrar shall authenticate and deliver or make available for pick-up, a new Bond or Bonds (registered in the name of the transferee) of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond. Provisions relating to the transfer of Book-Entry Bonds shall be determined by a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

Section 303. Ownership of Bonds and Effect of Registration.

The Authority and any Fiduciary may treat and consider the person in whose name any Registered Bond is registered, as of the Record Date, as the Holder and absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of, redemption premium, if any, or interest thereon and for all other purposes whatsoever, and payment of, or on account of, the principal of, redemption premium, if any, or interest on such Bond shall be made only to, or upon the order of, such Registered Owner thereof. However, such registration may be changed or discharged as provided in this Section shall be valid and effectual to satisfy and discharge the Authority's liability upon the Bonds to the extent of the sum or sums so paid.

Section 304. Re-issuance of Mutilated, Destroyed, Stolen or Lost Bonds.

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In case any Outstanding Bond shall become mutilated or shall be destroyed, stolen, or lost, the Registrar shall authenticate and deliver or make available for pick-up, a new Bond of like tenor, number and amount as the Bonds so mutilated, destroyed, stolen or lost, in exchange and in substitution for such mutilated Bond and upon surrender of such mutilated Bond or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Registrar of evidence which is satisfactory to the Authority and the Registrar that such Bond has or have been destroyed, stolen or lost, and together with a signature guarantee and such other and further documentation as the Registrar may reasonably request. The owner of such Bond shall also provide the Registrar with proof of the ownership thereof, and shall furnish the Authority and the Registrar with indemnification satisfactory to them and shall comply with such other reasonable regulations as the Authority and the Registrar may prescribe, and the owner of such Bond shall pay such expenses as the Authority and the Registrar may incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond which is due and payable, the Authority may pay the amount which is due on such Bond to the owner or Holder thereof, provided all of the requirements of this Section have been met.

Section 305. Regulations with Respect to Registrations, Exchanges and Transfers.

In all cases in which the privilege of exchanging Bonds or transferring Registered Bonds is exercised, the Authority shall execute and the Registrar shall authenticate new Bonds in accordance with the provisions of the Indenture. For every registration, exchange or transfer of Bonds, the Authority or the Registrar, as the case may be, may charge a sum which is sufficient to reimburse them for any tax or other governmental charge or other fees which are required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. During the fifteen days next preceding any Interest Payment Date of the Bonds, or in the case of any proposed redemption of Bonds, subsequent to the date next preceding the date of the first publication or mailing of notice of such redemption, neither the Authority nor the Registrar shall be required to make any registration, transfer or exchange of any Bonds under the provisions of this Article. The Registrar shall, not less often than quarterly, deliver to the Authority a statement of all Bonds issued in lieu of or in substitution for other Bonds pursuant to the terms of this Article, including a report of the description and disposition of such other Bonds.

Section 306. No Recourse on Bonds.

No recourse shall be had for the payment of the principal of, redemption premium, if any, or the interest on the Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority or any person executing the Bonds, including the Trustee or the Registrar, as the case may be. The Bonds are not and shall not be in any way a debt or liability of the State of New Jersey or of any county or any municipality and do not and shall not create or constitute any indebtedness, liability or obligation of said State or of any county or any municipality, either legal, moral or otherwise. THE BONDS SHALL NOT CONSTITUTE A DEBT, LIABILITY OR PLEDGE OF THE CREDIT OF THE CITY OF HOBOKEN, OTHER THAN TO THE EXTENT OF THE CITY GUARANTY THEREOF.

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on such Series of Bonds or any other Series of Bonds; (i) the form of the Bonds of such Series, and the form of the Trustee's certificate of authentication (if applicable), which forms shall be, respectively, substantially in the forms set forth in Section 1207, with such variations, omissions or insertions as are required or permitted by the Indenture; (j) provisions, if any, for furnishing a Financing Facility with respect to such Series; and (k) such other provisions as the Authority may deem necessary or desirable in connection with the issuance of such Series of Bonds.

(c) A copy of each amending resolution of the Authority, if any, which has been duly adopted prior to authentication and delivery of such Bonds pursuant to and in accordance with the provisions of Article VIII hereof, each certified by the Secretary, Treasurer or Assistant Secretary of the Authority;

(d) The written order of the Authority as to the delivery of such Bonds, executed by an Authority Officer;

(e) An opinion of Bond Counsel stating, in the opinion of the signer, that (i) the Bond Resolution, the Indenture, each Supplemental Indenture, each Series Resolution and each amending resolution referred to in subparagraph (d) above have been duly and lawfully adopted by the Authority, and, are each in full force and effect and are valid and binding on the Authority, the Trustee and the Holders of the Bonds in accordance with their respective terms, and that all conditions precedent to the authentication of such Series of Bonds have been satisfied; (ii) the Indenture creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds which are held or set aside under the terms of the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the terms of the Indenture; (iii) the Bonds of such Series are valid and binding obligations of the Authority, as provided in the Indenture and are entitled to the benefits of the Indenture, and of the Act; and (iv) such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the terms of the Indenture; provided however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' rights generally;

(f) A copy of the City Guaranty pertaining to the Bonds, certified by the City Clerk, together with such notification as is required in Section 513;

(g) An opinion of the City Corporation Counsel stating that in the opinion of the signer, (i) the City has the right and power to adopt the City Guaranty; (ii) the City Guaranty has been duly and lawfully authorized by the City; (iii) the City Guaranty has been duly and lawfully executed by the City, is in full force and effect, is valid, binding and enforceable upon the City in accordance with its terms; provided that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium reorganization or other laws affecting creditor's rights generally.

(h) A certificate of an Authorized Officer stating that the Authority is not, or upon the issuance of such Series of Bonds will not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture; and

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Section 307. Temporary Bonds.

Until the Bonds in definitive form are ready for delivery, the Authority may execute, and upon its written request, the Trustee or the Registrar, shall authenticate and deliver one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, together with any appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form shall be in such authorized denominations as the Authority may determine. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of the Indenture. The Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee or Registrar, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form, the Registrar shall authenticate and deliver, in exchange therefor, such Bond or Bonds in definitive form in authorized denominations of the same maturity and for the same aggregate principal amount as the surrendered Bond or Bonds in temporary form. Such exchange shall be made by the Authority without making any charge therefor except that the Authority may require payment of a sum which is sufficient to cover any tax or other governmental charge that may be imposed upon it in connection therewith.

Section 308. General Provisions for the Issuance of Bonds.

All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

(a) A copy of the Bond Resolution, certified by the Secretary, Treasurer or Assistant Secretary of the Authority;

(b) An executed counterpart original of the Indenture authorizing such Bonds, and an executed counterpart original of the Series Resolution and Supplemental Indenture, if any, relating to such Bonds. The Supplemental Indenture and the Series Resolution, if any, shall, among other provisions, specify: (a) the authorized maximum principal amount, designation and Series of such Bonds; (b) the purposes for which such Series of Bonds is being issued, which shall be (i) the financing of all or a portion of the Costs of the Project or any Additional Project, including the payment of any Project Notes issued in respect of the Project or Additional Project, as the case may be, or (ii) the refunding of Bonds; (c) the date, and the maturity date or dates, of the Bonds of such Series; (d) the interest rate or rates or the method of calculation of the interest rate or rates of the Bonds of such Series and the Interest Payment Dates therefor, and if any Bonds of such Series are Variable Rate Obligations, the Maximum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of such Variable Interest Bonds; (e) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (f) the Redemption Price or Prices or prepayment price or prices, if any, and, subject to Article VII, the redemption or prepayment terms for the Bonds of such Series; (g) provisions for the sale of the Bonds of such Series; (h) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds or other sources in the Debt Service Fund and provisions for the application thereof to the payment of all or a portion of the interest

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(i) Such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions hereof or Article X or the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

Section 309. Book-Entry Only.

(1) Except as provided in Subparagraph (3) of this Section 309, or as may be provided in the Supplemental Indenture authorizing such Series of Bonds, the registered Holder of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co., as nominee of DTC. With respect to all Bonds for which Cede & Co. shall be the registered Holder, payment of interest on such Bonds shall be made by wire transfer of same day funds to the account of Cede & Co. at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(2) The Bonds shall be initially issued in the form of one fully registered bond in the amount of the Bonds. Upon initial issuance, the ownership of the Bonds shall be registered on the registration books of the Authority kept by the Trustee in the name of Cede & Co. With respect to the Bonds so registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant, or any beneficial owner of the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any notice with respect to the Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any amount with respect to the principal or interest on the Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of the Bonds for the purpose of (i) payment of the principal of and interest on the Bonds, (ii) giving notices with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest thereon pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(3) (a) DTC may determine to discontinue providing its services with respect to the Bonds of any Series at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

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(b) The Authority, (i) in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds of any Series, and (ii) shall terminate the services of DTC with respect to the Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding Bonds of such Series to the effect that (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the outstanding Bonds of such Series be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds of such Series.

(c) Upon the termination of the services of DTC with respect to all or any portion of the Bonds pursuant to Section 309(3)(b)(i) or 309(3)(b)(ii)(A) hereof, or upon the discontinuance or termination of the services of DTC with respect to all or any portion of the Bonds pursuant to Section 309(3)(a) or 309(3)(b)(ii)(B) hereof, after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging such Bonds shall designate, in accordance with the provisions of this Indenture and the Bond Resolution. Upon the determination by any party authorized herein that the Bonds (or any portion thereof) shall no longer be limited to book-entry only form, the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Bonds from such book-entry only form to a fully registered form.

(4) Notwithstanding any other provision of this Indenture to the contrary, so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on, and all notices with respect to, the Bonds shall be made and given, respectively, to DTC as provided in the Letter of Representations of the Authority and the Trustee, addressed to DTC, with respect to the Bonds.

(5) In connection with any notice or other communication to be provided to Holders of the Bonds pursuant to this Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Holders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

Section 310. Additional Proceedings.

As additional proceedings of the Authority in connection with the execution and delivery of the Bonds, there is hereby delegated to any Authorized Officer of the Authority the power to

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given, or the Trustee has received irrevocable instructions to give such notice at the appropriate time;

(5) An Opinion or Opinions of Counsel, all in form and substance satisfactory to the Authority, to the effect that (i) the Additional Bonds have been duly issued for a permitted purpose under this Article IV, (ii) all consents or approvals required to be obtained from any Regulatory Body for the issuance of the Additional Bonds have been obtained, (iii) the issuance of the Additional Bonds and execution and delivery of related documents will not constitute a breach or default on the part of the Hospital under its Articles of Incorporation and By-laws, or on the part of the Authority or the Hospital under any applicable laws or regulations, court orders or rulings of Regulatory Bodies to which the Authority or the Hospital is subject or any agreements to which the Authority or the Borrower is a party or to which their properties are subject, (iv) all documents delivered by the Authority and the Hospital in connection with the issuance of the Additional Bonds have been duly and validly authorized, executed and delivered and such execution and delivery and all other actions taken by the Authority and the Hospital in connection with the issuance of the Additional Bonds have been duly authorized by all necessary corporate actions, and (v) all conditions precedent to the issuance of the Additional Bonds pursuant to this Indenture have been satisfied;

(6) In the case of Additional Bonds issued to finance the Costs of any Capital Addition (including for this purpose the completion of any Project or any Capital Addition)

(i) Executed counterparts or certified copies of Construction Contracts (including all change orders or amendments then in effect) covering all construction or renovation work which is not to be undertaken by employees of the Hospital, together with all surety bonds and policies or certificates of insurance related to such Project,

(ii) An Architect's Certificate: (A) stating that the construction and renovation work included in the Capital Addition can be undertaken and completed in accordance with sound architectural and engineering practices and that all necessary plans and specifications therefor have been approved by the Architect and all Regulatory Bodies; (B) stating that all permits and approvals then required to be in effect for the construction and renovation work included in the Capital Addition have been obtained and no facts or circumstances are known to the Architect which would prevent the timely issuance of all other necessary permits and approvals; (C) setting forth in reasonable detail the items of Cost relating to the construction or renovation work included in the Capital Addition and stating that such items of Cost are reasonable; and (D) stating that the proceeds of the Additional Bonds, together with any other monies to be made available therefor, shall be sufficient to pay the Cost of the Capital Addition,

(iii) A Certificate of the Manager: (A) setting forth in reasonable detail the Costs of the Capital Addition, including the items of Costs set forth in the Architect's Certificate described above, equipment costs, financing costs and other related fees and expenses; and (B) demonstrating the adequacy for the payment of all such Costs of the

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take the following actions and make the following determinations by Series Certificate signed by such Authorized Officer of the Authority:

(a) To execute, deliver and perform the Bonds.

(b) To execute and deliver and perform, on behalf of the Authority, such agreements and documents with the purchaser of the Bonds as shall be necessary or desirable in connection with the issuance and purchase of the Bonds.

(c) To execute a Letter of Representations with respect to DTC.

(d) To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with the execution, delivery and performance of the Bonds and are not inconsistent with the provisions of this Indenture.

All matters determined by an Authorized Officer of the Authority under the authority of this Indenture shall constitute and be deemed matters incorporated into this Resolution and approved by the Authority, and whenever an Authorized Officer of the Authority is authorized or directed to take any action pursuant to this Indenture with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Officer of the Authority may be conclusively relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Officer of the Authority are valid and binding.

Section 311. Requirements for Issuance of Additional Bonds.

(a) Prior to the issuance of Additional Bonds, the Borrower shall deliver or cause to be delivered to the Trustee:

(1) A Supplemental Indenture executed by the Authority and the Trustee and approved by the Borrower providing for the issuance of the Additional Bonds, containing such terms and provisions as may be necessary or proper to secure the Additional Bonds and as shall not, unless all Outstanding Bonds are to be paid or redeemed, be inconsistent with this Indenture;

(2) A guaranty ordinance of the City with respect to such Additional Bonds.

(3) Certified copies of the resolution of the Authority authorizing the execution of the Supplemental Indenture and the issuance of the Additional Bonds, and in the case of Additional Bonds for refunding purposes, the payment or redemption of the Bonds to be refunded;

(4) In the case of Additional Bonds for refunding purposes, evidence satisfactory to the Trustee that notice of redemption of any Bonds to be redeemed has been properly

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Additional Bond proceeds, together with other available funds deposited with the Trustee and the investment income reasonably expected to be earned on such proceeds and other available funds,

(iv) An Opinion or Opinions of Counsel addressed to the Authority and the Trustee (A) stating that the Manager has duly and validly authorized, executed and delivered the Construction Contracts, if any, for the Capital Addition; (B) stating that the Authority has acquired or will acquire as funds are advanced good and marketable title to or a valid and enforceable real property interest in all property to be acquired or constructed as part of the Capital Addition, subject only to Permitted Encumbrances (which opinion may be given in reliance upon a title insurance policy issued by a reputable title insurance company); (C) stating that the Trustee has acquired or will acquire a valid and enforceable mortgage lien on all property to be acquired or constructed as part of the Capital Addition, subject only to Permitted Encumbrances (which opinion may be given in reliance upon a title insurance policy issued by a reputable title insurance company); and (D) to the same effect, with respect to permits and approvals, as the Architect's Certificate described in clause (ii)(B) above.

(7) In the case of any Additional Bonds issued for the purpose of refunding Bonds or any other Indebtedness of the Borrower:

(i) Executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, if appropriate, an escrow agreement providing for the deposit and application of funds for the refunding and irrevocable instructions with respect to any required redemption of refunded Bonds, and

(ii) An Authority Certificate setting forth in reasonable detail the Costs of the refunding and demonstrating the adequacy of the Additional Bond proceeds for the payment of such Costs, together with other available funds then on deposit with the Trustee and the investment income reasonably expected to be earned on such proceeds and other available funds, and unless either (A) all refunded Bonds are to be redeemed or otherwise retired on the date of settlement for the Additional Bonds or (B) the Trustee holds funds on the date of settlement for the Additional Bonds as provided in Section 901(a) hereof, such Certificate shall be accompanied by such schedules verified as to mathematical accuracy by a Certified Public Accountant or Management Consultant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Bonds;

(8) For all Additional Bonds, an Opinion of Bond Counsel addressed to the Authority to the effect that (i) the interest on the Additional Bonds will be excludable from gross income of the Owners thereof for purposes of federal income tax, and (ii) the issuance of the Additional Bonds will not adversely affect the exclusion (if any) from gross income of the Owners of any Outstanding Bonds which are Tax-exempt Bonds of the interest on such Outstanding Bonds for federal tax purposes; provided that the requirement in clause

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(i) need not be met if the interest on the Additional Bonds are not to be issued as tax exempt obligations;

(10) Such other closing documents and opinions of counsel as the Authority may reasonably specify.

(b) Upon compliance with the requirements of Section 311(a) hereof, the Trustee shall thereupon be authorized to execute the Supplemental Indenture, to deliver the Additional Bonds at the written direction of an Authorized Officer of the Authority.

Section 312. Disposition of Proceeds of Additional Bonds.

Upon the issuance and delivery of any series of Additional Bonds, the Authority shall forthwith transfer the proceeds thereof to the Trustee, and the Trustee shall apply such proceeds in accordance with the terms of the Supplemental Indenture authorizing the issuance of such series

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(2) its certificate attached to the requisition, duly executed by an Authority Officer, certifying: (a) that obligations in the stated amounts have been incurred by the Authority, and that each item thereof is a proper charge against such account in the Construction Fund, is a proper Cost of the project for which such account was established and such Cost has not been previously paid, (b) that the Authority has not received or been served with a notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of any of the moneys which are payable under such requisition to any of the persons, firms or corporations named in such requisition, or if any such lien, attachment or claim has been filed with or served upon the Authority, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item which represents payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain; and

(3) in the case of expenses which have been incurred by the Authority for studies, surveys and estimates, engineering borings, preliminary investigations to determine foundation or other conditions, estimates of costs or revenues and other estimates which are necessary or incidental to determining the feasibility or practicability of the Project or payments which are to be made for labor and to contractors, builders and materialmen in connection with such construction or payments which are to be made for restoration of property which has been damaged or destroyed in connection with such construction, a Certificate of Authority Officer, attached to such requisition, certifying that such Authority Officer has made reasonable investigations and that to the best of his or her knowledge, each such obligation has been properly incurred by the Authority, and that insofar as such obligation was incurred for work, materials, supplies or equipment, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the applicable Project or that such materials, supplies or equipment were fabricated for the construction thereof.

Upon the receipt of each such requisition and such accompanying certificates, the Trustee shall either pay such requisition directly or shall transfer from the appropriate account in the Construction Fund to the credit of a special account in the name of the Authority, an amount which is equal to the total of the amounts which are required to be paid, as set forth in such requisition, and the amounts which are on deposit in such special account are to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may conclusively rely upon such requisition and such accompanying certificates. If moneys for the payment thereof have been transferred to such special fund, each such obligation shall be paid by the Authority by check and such check shall be signed by any two authorized Authority Officers and such check shall be drawn on such special account to the order of the person named, in and in accordance with the terms of, the requisition. Moneys which are deposited to the credit of such special account shall be deemed to be a part of such account until such amount is paid out as provided above. If prior to the payment of any item from such special account, the Authority should decide to stop payment of such item for any reason, an Authority Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the appropriate account in the Construction Fund.

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ARTICLE IV Construction Fund

Section 401. Establishment of Construction Fund.

The Authority hereby establishes and creates a special fund, designated the "Construction Fund" which shall be held by the Trustee and in which may be deposited all or a portion of the proceeds of Bonds or Project Notes issued to finance, in whole or in part, Costs of the Initial Project and/or any Additional Project and the Authority may, but shall not be required to, deposit in the Construction Fund any moneys which are received by the Authority from any source for payment of Costs of the Initial Project and/or any Additional Project, including any Government Grants, any Government Loans (in each case, if related to the Initial Project and/or any Additional Project), the proceeds of any insurance or any condemnation award and which are to be applied by the Authority for the repair, restoration or replacement of the whole or any part of the Initial Project and/or any Additional Project. Amounts which are deposited in the Construction Fund shall be held by the Trustee and shall be applied (in accordance with and subject to the limitations of this Article) to pay Costs of the Initial Project and/or any Additional Project, and, until applied as aforesaid, such moneys shall at all times be subject to the lien of the Indenture. The Trustee shall establish within the Construction Fund a separate account for the Initial Project and for each Additional Project which is described in any Supplemental Indenture of the Authority which has been duly adopted pursuant to the terms of Article VIII hereof. Notwithstanding anything above to the contrary, the Authority may from time to time direct the Trustee to establish sub-accounts within any account which is created with respect to the Initial Project and/or any Additional Project.

Section 402. Purpose of and Payments From the Construction Fund.

(A) The Authority shall apply amounts on deposit in the Construction Fund for payment of Costs of the Initial Project described in clauses (A), (B), (C), and (D) of the definition thereof (a contained in the Bond Resolution) or Costs of the Additional Project, as the case may be. All payments from the Construction Fund shall be subject to the provisions and restrictions set forth in this Article and the Authority shall not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

(B) The Trustee shall make payments from the appropriate account in the Construction Fund, in the amounts, at the times, in the manner, and on such other terms and conditions as are set forth in this Section. Before any such payment shall be made, the Authority shall file with the Trustee:

(1) its written requisition therefore in the form as attached hereto as Exhibit A, duly executed by an Authority Officer, stating with respect to each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount which is to be paid and the account from which such amount is to be withdrawn, and (c) in reasonable detail, the purpose for which the obligation was incurred;

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(C) If any requisition which is filed with the Trustee in accordance with the terms of this Section 402 contains any item for payment of the Cost and expense of the acquisition of any lands, easements, or rights or interests in or relating to lands (including leasehold interests), there shall be attached to such requisition, before any transfer or payment with respect to such item shall be made, in addition to the certificates mentioned in paragraph (B) above, the following:

(1) a Certificate of Authority Officer stating that such lands, easements, rights or interests (including leasehold interests) are being acquired by the Authority and are necessary or useful and convenient for the construction or acquisition of the applicable Project; and

(2) a Counsel's Opinion of counsel to the Authority stating, in the opinion of the signer, that the Authority has the power under the provisions of the Act to acquire such lands, easements, rights or interest (including leasehold interests), and that the Authority will have, upon the payment of such item, such right, title and interest as is or will be sufficient to provide the Authority with such undisturbed possession as the Authority requires for its purposes.

Section 403. Investment of Construction Fund.

Any moneys which are held in the Construction Fund shall be invested by the Authority in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay Costs of a Project, as the case may be. Investment income shall be held in the Construction Fund and applied in accordance with the terms of Article IV and Section 1206 hereof.

Section 404. Disposition of Balance in Construction Fund.

(A) At the time of substantial completion of the applicable Project (or portion thereof) for which any account in the Construction Fund has been established, the Authority shall file a Certificate of Authority Officer with the Trustee and such certificate shall state that the portion of the Project for which the funds were deposited in the appropriate account in the Construction Fund has been completed and that the sum stated in the certificate is sufficient to pay, and is required to be reserved in such account to pay, all items of Cost of such portion of the Project for which such account was established which, as of the date of such certificate, remain unpaid, including an estimate of the amount of any such items which is not finally determined and all claims against the Authority arising out of the construction thereof.

(B) Following substantial completion of the portion of the Project for which funds were deposited in the Construction Fund and upon filing of such Certificate of Authority Officer, the Authority may apply the balance which is on deposit in the Construction Fund to either (i) payment of the Cost of any portion of the Project (other than the portion referred to in such certificate), (ii) payment of the principal or Redemption Price of or interest on the Bonds.

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**ARTICLE V
Revenues and Funds**

Section 501. Establishment of Funds.

(1) In addition to the Construction Fund, the Authority hereby establishes and creates the following special funds:

- (a) Revenue Fund;
- (b) Debt Service Fund, containing therein a separate account for each Series of Bonds;
- (c) Operating Fund;
- (d) Debt Service Reserve Fund, containing therein a separate account for each Series of Bonds constituting Reserve Fund Bonds;
- (e) Operating Reserve Fund;
- (f) Capital Replacement Fund; and
- (g) Rebate Fund.

(2) The Operating Fund and the Capital Replacement Fund shall be held by the Authority; all other Funds shall be held by the Trustee.

(3) At the closing of each Series of Bonds, the Trustee shall apply the proceeds of such Series of Bonds, as set forth in a Certificate of an Authorized Officer of the Authority with respect to the application of such proceeds.

(4) Other funds may be created by Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of a particular Series of Bonds upon original issuance.

Section 502. Pledge Securing Bonds.

(1) There is hereby pledged and assigned as security for the payment of the Authority's Bond Payment Obligations and the Authority's Financing Facility Payment Obligations the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate; provided, however, that (a) each Series of Bonds shall be entitled to the benefit of amounts on deposit in its respective the Account, if any, within the Debt Service Reserve Fund, and no other Bond shall be entitled thereto, and (b) each Series of Bonds with respect to which the Authority has obtained a Financing Facility shall be entitled to the benefit of the applicable Financing Facility and Financing Facility revenues and no other Bond shall be entitled thereto.

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unless otherwise provided by Supplemental Indenture), the Authority or the Trustee, as the case may be, shall promptly remit such amounts to the proper owner thereof.

(2) Any moneys which are held in the Revenue Fund shall be invested by the Trustee in Investment Obligations; provided however, that the maturity of every such Investment Obligation shall not be later than the date when needed for further application pursuant to the terms of the Indenture.

(3) Any payments which are made by the City pursuant to the terms of the City Guaranty shall be made to the Trustee and shall thereafter be deposited by the Trustee in the Debt Service Fund or the applicable account within the Debt Service Reserve Fund (to the extent such payment represents a reimbursement of moneys which have been withdrawn from the Debt Service Reserve Fund pursuant to Section 507 hereof). In the event that such payments have been deposited in the Debt Service Fund, pending application of such payments to the payment of the principal of or interest on the Series of Bonds entitled to such payment, such moneys shall be held solely for the benefit of the Holders of the Series of Bonds for which such payment was made

(4) Any payments which are received by the Authority pursuant to any insurance relating to the Project or pursuant to a condemnation award which are not applied to the repair or replacement of the Project, or any portion thereof, as provided in Section 401 hereof, shall be paid by the Authority to the Trustee. Thereafter such payments shall be deposited by the Trustee in the Debt Service Fund and applied in accordance with the terms of Section 505 hereof.

Section 504. Periodic Withdrawals From Revenue Fund.

On the 1st Business Day of each month, the Trustee shall make payments out of any moneys which are on deposit in the Revenue Fund into the following several funds but as to each such fund only within the limitation hereinafter indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

- First: Into the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the Debt Service Requirement, taking into account (i) accrued interest and any amounts in each such account within the Debt Service Fund available to pay interest on the respective Bonds on the next Interest Payment Date; (ii) the amount of investment earnings credited to such account within the Debt Service Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to Section 1103 hereof; (iii) capitalized interest available to pay interest on the next Interest Payment Date; (iv) any other credit available pursuant to Section 505 hereof, but only to the extent such credit is posted by the 1st day of such Accounting Period;

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(2) This pledge shall be valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Indenture. The Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations issued by the Authority and all other liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

(3) The Trust Estate and, if applicable, the amounts in the respective Account within the Debt Service Reserve Fund and the Financing Facility Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof.

(4) Nothing contained in this Section 502 shall be construed as limiting any authority granted to the Authority elsewhere in the Indenture to issue subordinated debt under the Indenture or any other resolution of the Authority or shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by other income and funds other than the Trust Estate, the Debt Service Reserve Fund or the Financing Facility Revenues.

(5) Any moneys which are required to be paid to the Trustee by the City pursuant to the terms of the City Guaranty applicable to any Series of Bonds are hereby pledged solely to secure the payment of the principal of and interest on the Bonds of such Series and shall not be available for any other purpose under the Indenture. Upon receipt of any such moneys by the Trustee, such moneys shall be deposited and applied as provided in Section 503(2) hereof.

(6) In the event that any Credit Facility or Liquidity Facility is provided with respect to any Series of Bonds, any moneys which are made available under the terms of such Credit Facility or Liquidity Facility are pledged solely to secure the payment of the principal of and interest on the Bonds so secured and shall not be available for any other purpose under the Indenture. Upon receipt of any such moneys by the Trustee, such moneys shall be deposited in the Debt Service Fund and applied in accordance with the provisions of Section 505 hereof.

Section 503. Deposit of Revenues, Payments Under City Guaranty and Other Payments.

(1) From and after the authentication and delivery of the first Bond to be so authenticated and delivered under the terms of the Indenture, all Revenues upon receipt shall be paid over by the Authority to the Trustee for deposit into the Revenue Fund. To the extent either the Authority or the Trustee receives any amounts which do not constitute Revenues (including, *inter alia*, any amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Initial Bonds,

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Second: To the Authority for deposit into the Operating Fund, for payment of the Authority's Operating Expenses in accordance with its Annual Budget an amount equal to Operating Fund Requirement;

Third: Into the respective accounts within the Debt Service Reserve Fund *pro rata*, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in each such account within the Debt Service Reserve Fund equal to the respective Debt Service Reserve Requirement taking into account the amount of investment earnings credited to such account within the Debt Service Reserve Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to Section 1103 hereof (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Debt Service Reserve Fund Requirement immediately instead of over twelve months);

Fourth: To the Authority for deposit into the Operating Reserve Fund, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in the Operating Reserve Fund such that the funds on deposit in the Operating Reserve Fund is equal to the Operating Reserve Fund Requirement (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to the Operating Reserve Fund Requirement immediately instead of over twelve months);

Fifth: Into the Capital Replacement Fund, an amount equal to (x) any lump sum increase to the Capital Replacement Requirement (to the extent provided in the Annual Budget for such Fiscal Year) or (y) otherwise, 1/12 of the annual amount (if any) of the Capital Replacement Requirement, as provided in the Annual Budget for such Fiscal Year; and

Sixth: To the City, to the extent required to reimburse the City for amounts theretofore advanced by the City pursuant to the City Guaranty.

Section 505. Application, Investment and Restoration of Debt Service Fund.

(1) The Trustee shall pay out of each account within the Debt Service Fund to the Paying Agent (i) on or before each Interest Payment Date for any of the applicable Bonds, the amount required for the interest payable on such date; (ii) on or before each Payment Date on which a Principal Installment is due, the amount of Principal Installments coming due on such date; (iii) on or before any redemption date for the applicable Bonds, the amount required for the

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payment of the Redemption Price of and interest on such Bonds then to be redeemed; and (iv) on or before any due date therefor, the amount of any Parity Financing Facility Payment Obligation.

(2) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the respective account within the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201.

(3) Amounts may be deposited by the Authority, in its sole discretion, in the applicable account within the Debt Service Fund with respect to the Bonds of any Series and maturity to be applied by the Trustee, if so directed by the Authority, on the date specified by the Authority, which date shall be at least twenty-five days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Indenture or Series Resolution) prior to the maturity date of any Bonds of such Series, to (i) the purchase of Bonds of such Series and maturity, or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection 3 shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by the Authority.

(4) If on any Payment Date there shall not be a sufficient amount on deposit in any account within the Debt Service Fund to pay when due the principal or Redemption Price of and interest on any Reserve Fund Bonds, the Trustee shall withdraw an amount which is sufficient to make up such deficiency from the applicable account within the Debt Service Reserve Fund and shall deposit same into the applicable account within the Debt Service Fund to be applied to the payment when due of the principal or Redemption Price of and interest on such Bonds.

Section 506. Application and Investment of Operating Fund.

(1) The Authority shall make payments from time to time out of the Operating Fund of all amounts required for Operating Expenses in the amounts, at the times and in the manner, and on the other terms and conditions which are set forth in this Section 506.

(2) Each payment from the Operating Fund shall be paid by the Authority by electronic transfer or check which shall be signed or ordered, as applicable, on behalf of the Authority by the Chairman, Vice Chairman or Executive Director of the Authority and by the Secretary/Treasurer or Assistant Secretary of the Authority, or in accordance with the by-laws of the Authority, as the case may be, and such check shall be drawn to the order of the person, firm or corporation to receive such payments.

(3) Any moneys which are held in the Operating Fund shall be invested by the Authority in Investment Obligations; provided however, that the maturity of every such

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such account within the Debt Service Reserve Fund a Debt Service Reserve Financing Facility payable to the Trustee for the benefit of the Owners of the Bonds of such Series. The Debt Service Reserve Financing Facility shall be payable (upon the giving of notice as required thereunder) on any Payment Date on which moneys shall be required to be withdrawn from the applicable account within the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on such Bonds and such withdrawal cannot be met by amounts on deposit in such account within the Debt Service Reserve Fund.

If a draw or disbursement is made under a Debt Service Reserve Financing Facility provided pursuant to this Section, the Authority shall be obligated either (1) to reinstate the maximum limits of such Debt Service Reserve Financing Facility or (2) to deposit into such account within the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Debt Service Reserve Financing Facility, or a combination of such alternatives, as shall provide that the amount in such account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement within a time period not longer than would be required to restore the Debt Service Reserve Fund by operation of clause Third of Section 504 hereof and from the same source of funds as provided in Section 504.

Section 508. Application and Investment of Operating Reserve Fund.

(1) The Trustee shall transfer funds on deposit in the Operating Reserve Fund to the Authority for deposit into the Operating Fund at such times and in such amounts as may be required to pay, when due, the amount of any Operating Expenses in excess of the amounts then on deposit in the Operating Fund and available for such payment.

(2) Any moneys which are held in the Operating Reserve Fund shall be invested by the Trustee at the oral direction of an Authorized Officer in Investment Obligations. Investment income which is derived from the investment of moneys which are on deposit in the Operating Reserve Fund shall be (a) retained in the Operating Reserve Fund (to the extent necessary so that the amount which is on deposit in the Operating Reserve Fund equals the Operating Reserve Fund Requirement), and (b) except as may be provided in any Supplemental Indenture, any excess investment earnings shall be transferred to the Revenue Fund.

(4) If on any Payment Date amounts held in the Debt Service Fund, the Debt Service Reserve Fund and the Capital Replacement Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Trustee shall transfer from the Operating Reserve Fund to the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the lesser of (a) an amount sufficient to eliminate such deficiency or (b) the excess, if any, of any amounts on deposit in the Operating Reserve Fund over the Operating Reserve Fund Requirement.

Section 509. Application and Investment of Capital Replacement Fund.

(1) The Authority shall withdraw amounts from the Capital Replacement Fund and apply the same to the reasonable and necessary expenses of the Authority with respect to the

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Investment Obligation shall not be later than the time when such funds are needed by the Authority for the payment of Operating Expenses.

(4) Except as may be provided in any Supplemental Indenture, investment income which is derived from the investment of moneys which are on deposit in the Operating Fund shall be held in the Operating Fund.

Section 507. Application and Investment of Debt Service Reserve Fund.

(1) If on any Payment Date there shall not be a sufficient amount in any account within the Debt Service Fund to provide for any withdrawal therefrom required under the provisions of clause (i) and (ii) of Section 505(1) in respect of any Reserve Fund Bonds, the Trustee shall withdraw from the applicable account within the Debt Service Reserve Fund and pay into the applicable account within the Debt Service Fund an amount sufficient to make up such deficiency, to be applied to pay the principal or Redemption Price of and interest on such Reserve Fund Bonds coming due on such Payment Date.

(2) Whenever the amount in the applicable account (if any) within the Debt Service Reserve Fund, together with the amount in the applicable account in the Debt Service Fund, is not sufficient to pay in full all Outstanding Bonds of such Series in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the such account within the Debt Service Reserve Fund shall, if so directed by an Authorized Officer of the Authority, be transferred to the applicable account within the Debt Service Fund and shall be available to pay all Outstanding Bonds of such Series.

(3) Any moneys which are on deposit in the Debt Service Reserve Fund shall be invested by the Trustee at the oral direction of an Authority Officer, in Investment Obligations. All income which is derived from the investment of moneys which are on deposit in the Debt Service Reserve Fund shall be (a) retained in the respective account within the Debt Service Reserve Fund (to the extent necessary so that the amount which is on deposit in such account within the Debt Service Reserve Fund equals the respective Debt Service Reserve Requirement), and (b) any excess investment earnings shall be transferred (i) to the applicable account in the Construction Fund, to the extent there has not yet been delivered a certificate evidencing substantial completion of the Project pursuant to Section 404 hereof, and (ii) thereafter, to the Revenue Fund.

(4) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the applicable account within the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201.

(5) Notwithstanding the foregoing provisions, in lieu of the required deposits into any account within the Debt Service Reserve Fund, the Authority may cause to be deposited into

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Hospital for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

(2) Any moneys which are on deposit in the Capital Replacement Fund shall be invested by the Authority in Investment Obligations. All investment income which is derived from the investment of moneys which are on deposit in the Capital Replacement Fund shall be held in the Capital Replacement Fund.

(3) If on any Payment Date amounts held in the Debt Service Fund and the Debt Service Reserve Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Capital Replacement Fund to the Trustee for deposit into the respective accounts in the Debt Service Fund, *pro rata*, an amount sufficient to eliminate such deficiency.

(4) If on any date all withdrawals or payments which are required to be made from the Capital Replacement Fund by any other provision of the Indenture shall have been made and the amount on deposit in each account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement, and the amount in the Capital Replacement Fund exceeds the Capital Reserve Requirement, the Authority shall withdraw the amount of such excess from the Capital Replacement Fund and shall pay the moneys so withdrawn to the Revenue Fund.

Section 510. Application and Investment of Rebate Fund.

(1) The Authority shall determine the amounts (as well as the dates of payment) which are subject to rebate to the United States government pursuant to the provisions of the Code (in order to ensure that interest on any Bonds which constitute Tax-Exempt Obligations continues to be excludable from Federal income taxation) in accordance with the terms of the Arbitrage and Tax Regulatory Agreement (or similar document or documents) executed by the Authority in connection with the authentication and delivery of any Series of Bonds. The amounts which are required to be rebated to the United States government shall be withdrawn from the accounts which are held under this Indenture (other than from any funds which are held for the payment of the purchase price for Variable Rate Bonds upon the tender of such Variable Rate Bonds by the Holders thereof), at the written direction of the Authority, and be deposited in the Rebate Fund. Such amounts shall be held in the Rebate Fund pending withdrawal of such amounts for payment to the United States government.

(2) Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations; provided however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section 510. All income from such Investment Obligations shall be held within the Rebate Fund.

(3) If there is not a sufficient amount in the Rebate Fund for any required payment to the United States government, the Authority shall promptly pay to the Trustee, from other

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sources or from moneys which are on deposit in the Revenue Fund and which are available for such purpose, the amount which is necessary to make up such deficiency.

Section 511. Funds Held for Payment of Bonds.

The amounts which are held by the Trustee or which are applied by the Paying Agent for the payment of the principal of, redemption premium, if any, or interest which is due on any date with respect to particular Bonds pertaining thereto, if any, shall, pending such payment, be set aside and held in trust for the Holders of the Bonds who are entitled to such payment, and for the purposes of the Indenture, such principal, redemption premium, if any, and interest after the date fixed for the payment thereof, shall no longer be considered to be unpaid.

Section 512. Cancellation of Bonds.

All Bonds which are purchased, redeemed or paid shall, if surrendered to the Authority or to any Paying Agent, be cancelled by it and delivered to the Registrar, or if such Bonds shall be surrendered to the Registrar, shall be cancelled by it. Such Bonds shall not be deemed to be Outstanding under the terms of the Indenture and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled by the Registrar and the Registrar shall be authorized to destroy such cancelled Bonds upon receipt of an order of the Authority and a certificate thereof shall be delivered by the Registrar to the Authority.

Section 513. Assignment of City Guaranty.

Subject to the terms of Section 616(b) hereof, all rights of the Authority to receive payments from the City under the provisions of a City Guaranty are hereby pledged for the benefit and security of the Holders of the Series of Bonds which are specifically entitled to the benefits of a City Guaranty and any Bond Insurer issuing a bond insurance policy in respect of such Series of Bonds in order to secure the punctual payment by the Authority of the principal of and interest on such Bonds, and, for said purpose, such rights are hereby assigned by the Authority to the Trustee. All payments which are to be received by the Authority pursuant to the terms of the City Guaranty are to be paid directly to the Trustee for deposit into the applicable accounts within the Debt Service Fund or the Debt Service Reserve Fund (as applicable) in accordance with the provisions of Section 207, Section 503(3) and Section 505 or Section 507 (as applicable) hereof. Prior to or simultaneously with the delivery of each Series of Bonds which are specifically entitled to the benefits of the City Guaranty upon original issuance, an Authority Officer shall deliver notification of such assignment to an Authorized City Representative.

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administrative or judicial body to the extent that same are applicable to the Hospital or to the Authority.

(b) The Authority shall diligently proceed to obtain (or cause to be obtained) and thereafter maintain (or cause to be maintained) all required or necessary permits, approvals or consents for the acquisition, construction or operation of the Hospital.

Section 606. Payment of Lawful Charges.

The Authority shall pay (or cause to be paid) all taxes and assessments or other municipal or governmental charges, if any, which are lawfully levied or assessed upon it for or with respect to the Hospital, or upon any part thereof or upon any Revenues derived therefrom, when the same shall become due, and the Authority shall duly observe and comply with, and shall cause its contractors, subcontractors, employees and agents to observe and comply with all valid Federal, state, county and local laws and regulations, rules and orders relating to the Hospital, and the Authority shall not create or suffer to be created any lien or charge upon the Hospital or upon any part thereof and the Authority shall not create or suffer to be created any lien or charge upon the Revenues which are derived therefrom, except as expressly provided by the terms of the Indenture. The Authority will pay and discharge (or cause to be paid and discharged) or will make adequate provision to satisfy and discharge within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Hospital or upon any part thereof or upon the Revenues which are derived therefrom; provided however, that nothing contained in this Section shall require the Authority to pay and discharge (or cause to be paid and discharged), any such lien or charge as long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 607. Offices for Servicing Bonds.

The Authority shall, at all times, maintain an office or agency in the State of New Jersey or in the Borough of Manhattan, in the City and State of New York where Bonds may be presented for registration, or redemption. The Authority hereby irrevocably appoints the Registrar as its agent to maintain such office for the registration, transfer or exchange of Bonds. The Authority shall appoint one or more Paying Agents as its agent to maintain such office for the payment or redemption of Bonds.

Section 608. Powers as to Hospital and as to Collection of Revenues.

The Authority has, and will have, as long as any Bonds remain outstanding, good right and lawful authority to maintain, operate and improve the Hospital or to provide for the maintenance, operation and improvement of same. The Authority has the power and covenants to prescribe and, from time to time, charge and collect all Revenues which are due or which are becoming due to it for the use of the Hospital subject, however, to the paramount powers of the State of New Jersey or the United States of America.

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ARTICLE VI Particular Covenants of Authority

Section 601. General.

The Authority hereby particularly covenants and agrees with the Trustee, any Financing Facility Provider and with the Holders of the Bonds, and makes provisions which shall be a part of its contract with such Holders to the effect and with the purpose set forth in the following provisions and Sections of this Article.

Section 602. Payment of Bonds.

The Authority shall duly and punctually pay or cause to be paid (a) the principal of or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and (b) the amount of every Financing Facility Payment Obligation as and when the same become due. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Section 603. Construction and Completion of a Project.

The Authority shall construct and shall complete (or cause to be constructed and completed) the Project in accordance with the provisions of the Indenture.

Section 604. Operation and Maintenance of Hospital.

The Authority shall, at all times (a) operate the Hospital (or cause same to be operated) properly and in a sound and economical manner, and (b) maintain, preserve and keep the same properly or cause the same to be so maintained, preserved and kept), including all appurtenances thereto and every part and parcel thereof, in good repair, working order and condition. Further, the Authority shall make (or cause to be made) from time to time, all necessary and proper repairs, replacements and renewals so that the operation of the Hospital may be properly and advantageously conducted at all times.

Section 605. Rules, Regulations and Other Details; Permits.

(a) The Authority shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Hospital. The Authority shall observe and perform (or cause to be observed and performed) all of the terms and conditions which are contained in all valid acts, rules, regulations, orders and directions of any legislative, executive,

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Section 609. Annual Budget.

The Authority shall prepare, file and adopt an Annual Budget for each Fiscal Year in accordance with the provisions of the Local Authorities Law which shall include adequate funds to pay debt service on the Bonds. A copy of such Annual Budget shall be filed with the Trustee on or prior to the last day of each Fiscal Year and shall be mailed by the Authority to the issuer of any Financing Facility or Liquidity Facility and to any Bondholder upon request.

Section 610. Insurance and Condemnation.

(a) The Authority shall continuously maintain (or cause to be maintained), with qualified and experienced insurers having a reputation for insuring facilities of like character as those which make up the Hospital and which insurers are authorized to do business in the State of New Jersey or in such other manner as may be required or permitted by law, all insurance as is customarily maintained with respect to facilities of like character as the Hospital. Such insurance shall protect the Authority against loss or damage and against public and other liability to the extent reasonably necessary to protect the interests of the Bondholders. If any useful part of the Hospital shall be damaged or destroyed, the Authority shall, expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property in order to restore the same to use.

(b) If any useful part of the Hospital shall be damaged or destroyed, the Authority shall have the option to either (a) as expeditiously as may be possible, commence and diligently prosecute the reconstruction, repair or replacement of the damaged property so as to restore the same to use; provided (i) there exists no Event of Default under this Indenture; and (ii) work of repair and restoration can be completed prior to the final maturity of the Bonds and (iii) the Authority furnishes evidence satisfactory to the Trustee of the Authority's ability to pay all amounts of principal and interest becoming due under the Indenture prior to completion of repair or (b) redeem the Bonds pursuant to the terms of a Supplemental Indenture providing for the issuance of such series of Bonds. If the Authority determines to repair and replace the damage to the Hospital, the proceeds of any insurance with respect to such damage or destruction (other than business interruption or use and occupancy insurance which shall be deposited in the Operating Fund) shall be paid over to the Trustee and deposited into a segregated account within the Construction Fund, from which the Authority shall cause such proceeds to be applied to the necessary costs involved in such reconstruction, repair and replacement. If the Costs of such reconstruction, repair and replacement exceed the proceeds of such insurance available for payment of the same, moneys available thereof in the Construction Fund, the Capital Replacement Fund or the Revenue Fund shall be used to the extent necessary for such purposes. The Authority may also issue Bonds or Project Notes for such purpose, as provided herein.

Section 611. Sale or Encumbrance.

Other than the Permitted Encumbrances, no part of the Hospital shall be sold, mortgaged, pledged, encumbered or otherwise disposed of by the Authority; provided however, that the Authority may, at any time and from time to time, sell or exchange a portion of the Hospital which the Authority determines by resolution is not useful or necessary in the construction,

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reconstruction or operation thereof. Any proceeds which are derived from any such sale or exchange shall be paid to the Trustee and shall, at the direction of the Authority either (i) be deposited into a segregated account within the Construction Fund, from which the Authority shall cause such proceeds to be applied to the costs of replacing the property so sold or exchanged, or to such other capital costs as shall be directed by the Authority, or (ii) be deposited into the Debt Service Fund for application toward the redemption or defeasance of Bonds. Notwithstanding the foregoing, (x) no deposit pursuant to clause (i) of the preceding sentence shall be made unless there shall be delivered to the Authority and to the Trustee and Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect the tax-exempt status of any Tax-Exempt Obligations (or impair the ability of any Bonds to thereafter convert to Tax-Exempt Obligations) and (y) if the amount to be deposited into the Debt Service Fund pursuant to clause (i) of the preceding sentence shall be less than \$5,000, no redemption or defeasance of Bonds shall be required.

Section 612. Creation of Liens.

Except as provided in Article III and this Section 612, the Authority shall not issue any bonds, notes, or other evidences of indebtedness, other than the Bonds, which are secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts which are held by the Trustee or by any Paying Agent under the terms of the Indenture; provided however, that neither this Section nor any other provision of the Indenture shall prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority which are payable out of, or which are secured by a pledge of Revenues which are to be derived on and after such a date as the pledge of such Revenues which is provided in the Indenture shall be discharged and satisfied as provided in Section 1201 hereof.

Section 613. Certain Tax Covenants.

The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Series of Bonds under Section 103 of the Code, if such Series constitutes a Series of Tax-Exempt Obligations. Without limiting the generality of the foregoing, the Authority shall not, directly or indirectly, use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action that would cause any Series of Tax-Exempt Obligations to be "private activity bonds" within the meaning of Section 141 of the Code other than "qualified 501 (c)(3) bonds" within the meaning of Section 145 of the Code, or to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Authority shall comply with all requirements of Sections 145 and 148 of the Code to the extent applicable to the Bonds which are Tax-Exempt Obligations. In the event that at any time the Authority is of the opinion that for purposes of this Section 613 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee pursuant to this Indenture or otherwise, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

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be delivered to the Trustee and shall be accompanied by a Counsel's Opinion which states that such modification is in compliance with the provisions of this Section. The Authority shall take all reasonable measures which are permitted by the Act or otherwise by law, to enforce prompt payment to it of all Revenues and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders under or with respect to the City Guaranty to the extent that Bonds of a particular Series are entitled to the benefits of such City Guaranty.

Section 617. Conditions Precedent.

On the date of issuance of any Series of Bonds, all conditions, acts and things which are required by the Constitution or by the statutes of the State of New Jersey or by the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of any Series of Bonds shall exist, shall have happened and shall have been performed, and such Series of Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

Section 614. Accounts and Audit.

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Hospital or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection by the Trustee or its representatives which are duly authorized in writing. The Authority shall cause its books and accounts to be audited annually as of the end of each Fiscal Year. Such audit shall be made by an Accountant selected by the Authority and, within six months after the end of each Fiscal Year, copies of the reports of such audits shall be furnished to the Authority, to the Trustee and to the issuer of any Financing Facility. Such audits shall include statements, in reasonable detail, accompanied by a certificate of said Accountant, of financial condition, of Revenues, of all funds which are held by the Trustee or by any other Fiduciary and the security which is held therefor. The Authority shall cause a copy of every such audit report to be mailed to every Bondholder who shall request a copy of same.

Section 615. Further Assurances.

The Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming all and singular rights, revenues and other funds which are hereby pledged or assigned, or which are intended to be so pledged or assigned, or which the Authority may hereafter become bound to pledge or assign, or as may be reasonable and as may be required to carry out the purposes of the Indenture and to comply with the terms of the Act. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect (i) the pledge of the Revenues and the other funds which are pledged hereunder, and (ii) the rights of the Bondholders provided hereunder against all claims and demands of all persons whomsoever.

Section 616. Compliance With City Guaranty and Enforcement of Revenues.

(a) The Authority shall so plan, schedule and prosecute all construction with respect to the Project as to entitle it to make, impose and charge and collect Revenues with respect to the Hospital. The Authority shall take all reasonable measures which are permitted by the Act or otherwise by law, to enforce prompt payment to it of all Revenues, and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders hereunder.

(b) To the extent that Bonds of any Series are entitled to the benefits of the City Guaranty, the Authority shall not release or modify the obligations of the City under the terms of the City Guaranty in any manner which would adversely affect the City's obligation to make payments thereunder; provided further, that in the event that any Bonds which are entitled to the benefits of the City Guaranty are additionally secured by a bond insurance policy, the City Guaranty may not be amended without the prior written consent of the applicable Bond Insurer, which consent shall not be unreasonably withheld. Any modification of the City Guaranty shall

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ARTICLE VII Redemption of Bonds

Section 701. Privilege of Redemption and Redemption Prices.

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture or a Series Resolution shall be redeemable, upon notice as provided in this Article VII, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article VII as may be specified in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

Section 702. Redemption at the Election or Direction of the Authority.

In the case of any redemption of Bonds at the election or direction of the Authority, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in this Indenture). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 705 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

Section 703. Redemption Otherwise Than at the Authority's Election or Direction.

Whenever by the terms of this Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article VII.

Section 704. Selection of Bonds to be Redeemed.

Unless otherwise provided in this Indenture, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall

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treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond to be redeemed in part.

Section 705. Notice of Redemption.

When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 702, and when redemption of Bonds is authorized or required pursuant to Section 703, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, 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 shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the Supplemental Indenture or Series Resolution authorizing the Bonds to be redeemed) prior to the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Such notices shall also be given by publication in any Authorized Newspaper not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Failure of the registered owner of any Bonds which are to be redeemed to receive any notice, or failure of the Authority to publish notices of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of the Bonds.

Section 706. Payment of Redeemed Bonds

Notice having been given in the manner provided in Section 705, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like Series and maturity 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, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so

available on the redemption date, such 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.

Section 707. Alternate Redemption Provisions.

The Authority may provide for alternate redemption features to be applicable to a particular Series of Bonds by Supplemental Indenture or Series Resolution authorizing such Series of Bonds, provided that such features are not inconsistent with and do not impair the rights of Holders of Bonds of such Series. Any such alternative redemption provisions shall be subject to the consent of the Bond Insurer insuring such Series of Bonds.

ARTICLE VIII Supplements to and Amendments of Indenture

Section 801. Supplemental Indentures If No Bonds Outstanding.

Any Supplemental Indenture shall be fully effective in accordance with its terms upon its execution by the Authority to modify or to amend any of the terms or the provisions of this Indenture if no Bonds are Outstanding.

Section 802. Supplemental Indentures Without Consent of Holders.

For any one or more of the following purposes and at any time or from time to time, the Authority by resolution and the Trustee may enter into an indenture or a supplemental indenture amendatory hereof for the following purposes:

- (1) To close the Indenture against, or provide limitations and restrictions (in addition to the limitations and restrictions contained in the Indenture) on the issuance in the future of Bonds, or of project notes, bonds, obligations or other evidences of indebtedness;
- (2) To add other covenants or agreements to be observed by the Authority to the covenants or agreements of the Authority which are contained in the Indenture; provided however, that such other covenants and agreements are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect;
- (3) To add other limitations or restrictions to be observed by the Authority to the limitations or restrictions which are contained in the Indenture; provided however, that such other limitations or restrictions are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect;
- (4) To surrender any right, power or privilege which is reserved to or conferred upon the Authority by the terms of the Indenture;
- (5) To confirm, as further assurance, any pledge which is created under, and the subjection to any lien or pledge created or to be created by, the terms of the Indenture, of the Revenues or of any other moneys, securities or funds;
- (6) To specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds which are derived or which are to be derived from the sale thereof which are not contrary to or inconsistent with the terms of the Indenture
- (7) To authorize Bonds, or, in connection therewith, to specify, determine or authorize the matters and things which are mentioned or which are referred to in Article III hereof and any other matters and things relative to such Bonds or to the proceeds derived from the sale thereof which are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the authentication and delivery of the Bonds;

- (8) To specify, determine or modify provisions of the Indenture which are required in order to obtain a credit rating for any Bonds; and

- (9) To make any other change in the Indenture that in the opinion of Bond Counsel to the Authority does not materially adversely affect the rights of the Holders of any of the Bonds.

Section 803. Supplemental Indentures Effective Upon Consent of Trustee.

For any one or more of the following purposes and at any time, or from time to time, the Authority by resolution and the Trustee may enter into an indenture or supplemental indenture amending or supplementing the Indenture subject to receipt of the documents required under Sections 805 and 806 hereof, by the filing with the Authority of a written instrument of the Trustee consenting to such Supplemental Indenture, shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; and
- (2) To insert such provisions clarifying matters or questions arising under the terms of the Indenture as are necessary or desirable and which are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect.

Section 804. Supplemental Indentures Effective with Consent of Bondholders.

(a) At any time, or from time to time, the Authority by resolution and the Trustee may enter into an indenture or supplemental indenture amending or supplementing the Indenture whether applicable to all Bonds or to any particular Series thereof, modifying any of the provisions of the Indenture or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions which are contained therein, but no such Supplemental Indenture shall be effective until after the filing with the Trustee of a copy thereof, certified by the Secretary/Treasurer or Assistant Secretary of the Authority, and unless (1) no Bonds which have been authenticated and delivered by the Trustee upon original issuance, or thereafter by the Registrar, prior to the adoption of such resolution remain outstanding at the time such Supplemental Indenture becomes effective, or (2) such Supplemental Indenture is consented to by or on behalf of Bondholders; provided however, that if the provisions of such resolution are applicable solely to the Holders of a particular Series of Bonds, the provisions of this Section shall apply only to such Series of Bonds. If permitted by an applicable Supplemental Indenture or Series Resolution, a Financing Facility Provider of a Financing Facility securing a Series of Bonds shall have the right to consent to amendments on behalf and in lieu of the Owners of the Bonds of such Series.

(b) The provisions of paragraph (a) of this Section shall not be applicable to resolutions of the Authority which are adopted and which become effective in accordance with the provisions of Section 801, Section 802 or Section 803 hereof.

Section 805. Restriction on Amendments.

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 this Article. Nothing contained in this Article shall effect or limit the right or obligation of the Authority to pass, make, do, execute, acknowledge or deliver any resolution, act, deed, conveyance, assignment, transfer or assurance pursuant to the provision of Section 617 hereof or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which the Authority is required to deliver to said Fiduciary.

Section 806. Execution and Filing of Supplemental Indenture.

Any Supplemental Indenture of the Authority which is referred to and which is permitted or authorized by the terms of Sections 801, 802 or 803 hereof may be executed and delivered by the Authority without the vote or consent of any of the Bondholders, but such Supplemental Indenture shall become effective only on the conditions, to the extent and at the time provided in said Sections. A copy of every such Supplemental Indenture shall be filed with the Trustee and the issuer of any Financing Facility and shall be accompanied by a Counsel's Opinion to the effect that such indenture has been duly and lawfully executed and delivered by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the provisions of the Indenture and when effective, will be valid and binding upon the Authority and will be enforceable in accordance with its terms.

Section 807. Authorization to Trustee.

The Trustee shall sign any amendment or supplement to this Indenture or the Bonds authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing an amendment or supplement, the Trustee will be entitled to receive and (subject to Section 10.2 hereof) will be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by this Indenture.

Section 808. Notice to Owners.

The Trustee shall cause ten (10) Business Days' prior written notice of the execution of each supplement or amendment to this Indenture to be sent to each Owner, which notice shall contain a copy of such proposed amendment or supplement.

Section 809. No Modification of Duties and Obligations of Fiduciary or Issuer of Financing Facility or Liquidity Facility.

Notwithstanding the provisions of this Article VIII, no modification or supplement of the Indenture shall change or modify any of the duties or obligations of any Fiduciary or the issuer of any Financing Facility or Liquidity Facility without its prior written consent thereto.

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ARTICLE IX Discharge of Indenture

Section 901. Bonds Deemed Paid; Discharge of Indenture.

(a) Any Bond will be deemed paid for all purposes under this Indenture when (i) payment in full of the principal or redemption price of and interest on such Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) either (A) has been made in accordance with the terms of such Bond or (B) has been provided for in accordance with the provisions of Section 1201 hereof. When any Bond is deemed paid, it will no longer be secured by or entitled to the benefits of this Indenture or be an obligation of the Authority, or be subject to Optional Redemption at a date earlier than that specified pursuant to Section 1201(2) hereof, except for: (x) payment from money or Defeasance Obligations under Section 1201(2) hereof; (y) such Bond may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article III; and (z) such Bond shall be entitled to the benefit of Sections 510 and 512 hereof.

(b) When all Outstanding Bonds are deemed paid under the foregoing provisions of this Section, and all other obligations hereunder are satisfied and provision is made to the satisfaction of the Trustee for its expenses, the Trustee will upon request acknowledge the discharge of the lien of this Indenture, provided, however, that the obligations under Article III hereof in respect of the transfer, exchange, registration, discharge from registration and replacement of Bonds and Sections 510 and 512 hereof shall survive the discharge of the lien of this Indenture.

Section 902. Application of Trust Money.

The Trustee shall hold in trust money or Defeasance Obligations deposited with it pursuant to Sections 901 and 1201 hereof and shall apply the deposited money and the money from the Defeasance Obligations in accordance with this Indenture only to the payment of principal of and interest on the applicable Bonds.

Section 903. Notification to Authority of Payment of Bonds.

The Trustee shall notify the Authority in writing of the final maturity and payment of the Bonds, and of each redemption and prepayment of the Bonds upon such payment or prepayment.

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Section 810. Consent of Issuer of Financing Facility.

Notwithstanding the provisions contained in this Article VIII to the contrary, no modification or supplement of the Indenture shall be made pursuant to the provisions of Section 802(8) or Section 804 hereof without the prior written consent of the issuer of any Financing Facility.

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ARTICLE X Default Provisions and Remedies of Trustee and Bondholders

Section 1001. Events of Default.

The occurrence of any of the following events is hereby defined as and is declared to be and to constitute an "Event of Default:"

(a) Default by the Authority in the due and punctual payment of any interest on any Bond; or

(b) Default by the Authority in the due and punctual payment of the principal or Redemption Price of any Bond, whether at the stated maturity thereof, the tender thereof in accordance with the provisions of the Supplemental Indenture authorizing the issuance of Variable Rate Bonds or the redemption date set therefor in accordance with the terms of the Indenture; or

(c) Default by the Authority in the due and punctual payment of any Financing Facility Payment Obligations.

(d) Subject to the provisions of Section 1011 hereof, failure by the Authority to observe and to perform any covenant, condition or agreement on the part of the Authority which is provided by the Indenture and the continuance of such failure for a period of thirty (30) days after written notice, or such longer period as shall be provided under Section 1011 hereof, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or

(e) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of American or of the State of New Jersey; or

(f) Such additional Events of Default as may be set forth in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

Section 1002. Acceleration.

Upon the occurrence of an Event of Default which is identified in Section 1001 (a), (b), (c) or (d) hereof, at the written request of the Holders of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, the Trustee shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration to be immediately due and payable by written notice delivered to the Authority.

(b) Unless otherwise provided in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds, upon the occurrence of an Event of Default which is identified in Section 1001(e) hereof and such Event of Default continues without remedy for a period of

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thirty (30) days, at the written request of the Holders of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, the Trustee shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration to be immediately due and payable by written notice to the Authority.

(c) Upon any declaration provided in this Section, the principal of and such interest on all Bonds which are then Outstanding shall become immediately due and payable.

(d) Upon the occurrence of any Event of Default which is identified in Section 1001(f) hereof, the Trustee shall take such actions as are set forth in the Supplemental Indenture or Series Certificate identified in Section 1001(f) hereof.

(e) Notwithstanding anything contained in this Section 1002 to the contrary, to the extent that any of the Bonds are secured by a Financing Facility, the Trustee shall not declare an acceleration of such Bonds without the prior written consent of the provider of such Financing Facility.

Section 1003. Other Remedies.

Upon the occurrence of an Event of Default, the Trustee may pursue any remedy which is available to it at law or in equity or by statute.

No remedy which is conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such occurrence of any Event of Default or the acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 1004. Rights of Bondholders.

If an Event of Default shall have occurred and shall be continuing and if requested to do so by the Holders of not less than a majority in aggregate principal amount of the Bonds which are then Outstanding and if indemnified as provided in the Indenture, the Trustee shall (subject to receipt of indemnification by the Bondholders in form and amount satisfactory to the Trustee) be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee shall deem to be in the interests of the Bondholders and which are not contrary to law.

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priority of principal over interest or of interest over principal, 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 which are due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment of all Subordinated Financing Facility Payment Obligations which are then due, without preference or priority, ratably, according to the amount of due on such date, to the persons who are entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared to be due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, 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 which are available for application and the likelihood of additional moneys becoming available for such application in the future. In making such determination, the Trustee may rely conclusively upon documents available to it regarding such factors or may rely upon an opinion of counsel or opinion of counsel to the Authority regarding such factors. 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 on such date, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice 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 owner of any Bond until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the principal of, the redemption premium, if any, and the interest on all Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charge of the Trustee have been paid, any balance which is remaining in the Debt Service Fund shall be paid (i) to the City, to the extent required by the terms of any guaranty agreement entered into in connection with the City Guaranty, and (ii) thereafter, to the Authority.

Section 1007. Remedies Vested in Trustee.

All remedies and rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the Outstanding Bonds.

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Section 1005. Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, the (a) issuer of any Financing Facility or Liquidity Facility which is the Holder of any Bonds on the date of the occurrence of such Event of Default, and (b) owners of a majority in aggregate principal amount of the Bonds which are then Outstanding shall each have the right, at any time, by a written instrument or instruments which shall be duly executed and delivered to the Trustee, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and the conditions of this Indenture or for the appointment of a receiver or any other proceeding hereunder; provided however, that such direction shall not be otherwise than in accordance with the provisions of law.

Section 1006. Application of Moneys.

All moneys which are received by the Trustee pursuant to any right which is given or any action which is taken under the provisions of this Article shall be deposited into the Debt Service Fund (after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees, expenses, liabilities and advances which have been incurred or made by the Trustee, including legal fees), and all moneys which are on deposit in the various funds established under the terms of the Indenture (except the Rebate Fund) shall be applied as follows:

(a) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons who are entitled thereto of all installments of interest and Principal Installments which are then due on the Bonds and all Parity Financing Facility Payment Obligations which are then due in the order of the maturity of the installments of such interest, Principal Installments and Parity Financing Facility Payment Obligations and, if the amount which is available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons who are entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons who are entitled thereto of all Subordinated Financing Facility Payment Obligations which are then due, in order of their due dates, and, if the amount which is available shall not be sufficient to pay in full the Bonds which are 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 who are entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied as follows:

First: To the payment of the principal and the interest then due and unpaid upon the Bonds and all Parity Financing Facility Payment Obligations without preference or

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Section 1008. Rights and Remedies of Bondholders.

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the provisions of the Indenture, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy hereunder, unless (1) a default has occurred of which an authorized officer of the Trustee has been notified as provided in the Indenture, (2) such default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds which are then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers which were hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such Bond Owners have provided the Trustee with the indemnification which is provided in the Indenture; and (4) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its, his, her, or their own name or names. Such notification, request and offer or indemnification are hereby declared in every case (at the option of the Trustee) to be conditions precedent to the execution of the powers and the trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for the appointment of a receiver or for any other right or remedy hereunder. No one or more owners of the Bonds shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Indenture by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds which are then Outstanding. Nothing contained in this Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, redemption premium, if any, and the interest on any Bond at and after the maturity thereof or the redemption date set therefor, or the obligation of the Authority to pay the principal of, the redemption premium, if any, and the interest on each of the Bonds which are issued hereunder to the respective owners thereof at the time, at the place, from the sources and in the manner expressed in the Bonds.

Section 1009. Termination of Proceedings.

If the Trustee shall have proceeded to enforce any right or remedy under the terms of the Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in every such case the Authority and the Trustee shall be restored to their former respective positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 1010. Waivers of Defaults.

The Trustee may in its discretion waive any Event of Default hereunder, and the consequences specified in Section 1002 and 1003, and rescind any declaration of maturity of principal and shall do so upon the written request of the owners of: (1) a majority in aggregate principal amount of all Bonds which are then Outstanding with respect to which an Event of Default in the payment of principal or interest exists; or (2) a majority in aggregate principal

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amount of all Bonds which are then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any Event of Default with respect to the payment of the principal of any Bond at its maturity date or the redemption date prior to maturity, or (b) any Event of Default with respect to the payment of the interest on any Bond, unless prior to such waiver or rescission, all arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate borne by the Bonds with respect to which such default shall have occurred on overdue installments of interest and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default, including legal fees, shall have been paid or provided for and, in case of any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon. Any decision by the Trustee to waive any event of default as aforementioned shall not expose the Trustee to liability provided that the Trustee exercised good faith when waiving such event of default.

Section 1011. Notice of Events of Defaults; Opportunity of the Authority to Cure Defaults.

(a) No Event of Default which is specified in Section 1001(d) hereof shall constitute an Event of Default hereunder until notice of such Event of Default shall be given by the Trustee or by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds which are then Outstanding to the Authority, by registered or certified mail, personal service, or by overnight mail or courier service, and the Authority shall have had thirty (30) days after receipt of such notice to correct such Event of Default or cause such Event of Default to be corrected and shall not have corrected such Event of Default or caused such Event of Default to be corrected within the applicable period; provided however, that if such Event of Default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default hereunder if corrective action which is designed to remedy such Event of Default is instituted by the Authority within the applicable period and diligently pursued until such Event of Default is corrected.

(b) Notwithstanding anything contained herein to the contrary, the Trustee shall provide notice to the issuer of any Financing Facility of the occurrence of any Event of Default which is known to the Trustee within thirty (30) days of the Trustee's knowledge thereof.

Section 1012. Events of Default and Remedies Relating to Variable Rate Bonds.

Notwithstanding any provision of this Article X to the contrary, in the event that any Series of Bonds are issued as Variable Rate Bonds, the provisions of this Article X may be supplemented by the provisions of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

**ARTICLE XI
Trustee, Paying Agent and Registrar**

Section 1101. Appointment of Trustee.

Commerce Bank, National Association, having a corporate trust office in Cherry Hill, New Jersey, shall be and hereby is appointed to serve as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing the certificate of authentication endorsed upon the Bonds upon original issuance and by delivering a written acceptance thereof to the Authority. By executing such certificate of authentication upon any Bond and by delivery of such written certificate, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Bond so authenticated, but also with respect to all the Bonds to be issued thereafter in lieu of or in substitution therefor, but only, however, upon the terms and conditions set forth in the Indenture.

Section 1102. Appointment of Paying Agents, Registrar and Securities Depository.

(a) The Authority shall appoint one or more Paying Agents for the Bonds (other than Book-Entry Bonds). Such Paying Agents shall be appointed pursuant to a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of the Bonds upon original issuance, and the Authority may at any time or from time to time by Supplemental Indenture appoint one or more other Paying Agents for such Bonds; provided however, that each Paying Agent shall not be liable for the acts or omissions taken or suffered by such other Paying Agents. Each Paying Agent shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York and having trust powers if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed upon it by the terms of the Indenture. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing and delivering a written acceptance thereof to the Authority and to the Trustee. The Trustee may be appointed and may serve as a Paying Agent for the Bonds. Provisions relating to the payment of Book-Entry Bonds shall be determined by a Supplemental Indenture of the Authority, duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance.

(b) The Authority shall appoint a Registrar for each Series of Bonds which are issued in registered form (other than Book-Entry Bonds) by a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Bonds. Such Registrar shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by the terms of the Indenture. The Registrar shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing and delivering a written acceptance thereof to

Section 1013. Bond Insurer and Financing Facility Issuer Treated as Holders of Bonds.

(a) Notwithstanding the provisions of the Indenture to the contrary, as long as any Bond Insurer has not failed to honor its payment obligation under its bond insurance policy in respect of a Series of Bonds, the Bond Insurer shall be deemed to be the sole Holder of the principal amount of such Bonds, unless otherwise provided in the Supplemental Indenture authorizing such Series of Bonds. As such, any actions (including, without limitation, voting rights under Article VIII hereof) which are permitted to be taken by (or required to be taken by) the Holders of any Series of Bonds, other than actions which must be taken by a unanimous vote of all Bonds affected (as to which matters the Holders shall retain their powers), shall instead be taken by the Bond Insurer, unless otherwise provided in the Supplemental Indenture authorizing such Series of Bonds.

(b) The issuer of any Financing Facility in respect of any Bonds shall have such rights, whether in addition to or in lieu of the rights of the Holders of such Bonds, as shall be provided in the Supplemental Indenture authorizing such Series of Bonds.

the Authority and to the Trustee. The Trustee or the Paying Agent may be appointed and may serve as a Registrar for the Bonds. Provisions relating to the transfer or registration of Book-Entry Bonds shall be determined by a Supplemental Indenture of the Authority, duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance.

(c) In connection with the issuance of Book-Entry Bonds, the Authority shall appoint a Securities Depository for the purpose of (a) holding (on behalf of its participants) the Book-Entry Bonds in safekeeping, and (b) performing the duties which are otherwise performed by the Paying Agent for all Bonds and the Registrar for all Registered Bonds. Such Securities Depository shall be appointed pursuant to the terms of a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance. Such Securities Depository shall be a bank or corporation having its office in the Borough of Manhattan, City and State of New York which is willing and able to accept the appointment upon reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by the terms of the Indenture.

Section 1103. Responsibilities of Fiduciaries.

The recitals of fact which are contained in the Indenture and in the Bonds shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture or of any Bond which is issued thereunder or with respect to the security afforded by the terms of the Indenture, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee or the Registrar, as the case may be, shall however, be responsible for the representation which is contained in its certificate of authentication which appears on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds which are derived from the sale thereof except that the Trustee shall be responsible for such application to the extent that such proceeds are paid to the Trustee in accordance with the provisions of Article V hereof and in connection with the issuance of Additional Bonds pursuant to the provisions of Section 311 hereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any action or suit with respect to the terms of the Indenture or the Bonds, or to advance any of its own moneys, unless properly indemnified by the Authority or the Bondholders, as the case may be. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own gross negligence or willful misconduct.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been remedied), the Trustee shall exercise such of the rights and powers which are vested in it by the terms of the Indenture, and shall use the same degree of care and skill in the exercise of such powers as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provisions of the Indenture which relates to actions which

have been taken or which are to be taken by the Trustee or which relates to the evidence upon which the Trustee may rely shall be subject to the provisions of this Section 1103.

Notwithstanding any of the foregoing, the Trustee, at least annually and as often as may be reasonably requested by the Authority (but not more frequently than monthly), shall be responsible for delivering a written statement to the Authority which details, among other things (a) the Bonds, if any, which have been purchased or redeemed by it pursuant to the terms of hereof, (b) the report of the Registrar stating any new Bonds which have been issued in lieu of or in substitution for Bonds pursuant to the terms of Section 304, Section 307, or Section 311, and (c) the balances as of said dates, together with investment income, if any, which has been earned thereon, which are on deposit in each of the funds of the Authority which have been established and created by Section 501 hereof or which have been otherwise created and which are held by the Trustee pursuant to the terms thereof.

Section 1104. Property Held in Trust.

All moneys and securities which are held by any Fiduciary at any time pursuant to the terms of the Indenture shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purpose and under the terms and conditions set forth in the Indenture.

Section 1105. Deposit and Security of Funds.

To the extent permitted by law, all moneys (not including securities) which are held by any Fiduciary pursuant to the terms of the Indenture, may, subject to the provisions of this Section, and in accordance with the provisions of the Governmental Unit Deposit Protection Act (N.J.S.A. 17:9-41 *et seq.*), be deposited by it, in demand or time deposits, in its banking department or with such other banks, trust companies, national banking associations or other banking institutions, each having its principal office in the State of New Jersey, as may be designated by the Authority and approved by the Trustee. No such moneys shall be deposited with any bank, trust company, national banking association or other banking institution other than the Trustee, in an amount exceeding fifty per centum (50%) of the amount which an authorized officer of such bank, trust company, national banking association or other banking institution shall certify to the Trustee and to the Authority as the combined capital and surplus of such bank, trust company, national banking institution or other banking institution. Each Fiduciary shall allow and shall credit interest on any such moneys which are held by it at such rate as it customarily allows upon similar funds of similar size under similar conditions or as is required by law. Unless otherwise provided under the terms of the Indenture, interest with respect to moneys or securities which are on deposit in any fund or account shall be credited in each case to the fund or account in which such moneys or securities are held.

Notwithstanding anything in the Indenture to the contrary, all accounts which are held by the Paying Agent or the Tender Agent for any purpose shall be non-interest bearing and all moneys which are so held shall not be invested by the Paying Agent or the Tender Agent pending disbursement of the same.

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Section 1109. Resignation of Fiduciary.

Unless otherwise provided in any Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or by the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, a Fiduciary, or any successor thereof, may at any time resign and shall be discharged of its duties and obligations created by the Indenture by giving not less than sixty (60) days written notice to the Authority and by publishing notice thereof. Such notice shall specify the date when such resignation shall take effect and shall be published at least once in the Authorized Newspaper within twenty (20) days after the giving of such written notice. Except as otherwise provided herein, such resignation shall take effect on the day specified in such notice unless a successor shall have been previously appointed by the Authority or by the Bondholders, as herein provided in which even such resignation shall take effect immediately upon the appointment of such successor. Notwithstanding anything herein to the contrary, such Fiduciary shall be obligated to continue to perform all of the duties and obligations required to be performed by such Fiduciary under the terms of the Indenture, until such time as a successor Fiduciary has been appointed and has accepted such appointment, as provided in the Indenture.

Section 1110. Removal.

Unless otherwise provided in a supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or by the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, a Fiduciary, or any successor thereof, may be removed at any time by the Authority upon appointment of a successor or by the Holders of a majority in principal amount of the Bonds which are then Outstanding, excluding any Bonds which are held by or for the account of the Authority, upon forty-five (45) days written notice, by a written instrument or concurrent written instruments signed and duly acknowledged by the Authority or by such Bondholders or by their attorneys duly authorized in writing and delivered to the Authority. Such removal shall take effect upon the expiration of said forty-five (45) day period; provided however, that such removal shall not be effective until such time as a successor. Fiduciary has been appointed and has accepted such appointment, as provided in this Indenture. Copies of each such instrument shall be delivered by the Authority to each of the other Fiduciaries.

Section 1111. Appointment of Successor Fiduciary.

Unless otherwise provided in a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, in case any Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Fiduciary or if its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the Authority by a duly executed written instrument signed by an Authority Officer, but if the Authority does not appoint a successor Trustee within sixty (60) days then by the Holders of a majority in principal amount of the Bonds then Outstanding,

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Section 1106. Evidence Supporting Action.

Each Fiduciary and, in the case of Variable Rate Bonds, the Remarketing Agent, the Indexing Agent and the Tender Agent, shall be fully protected in acting or relying upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, bond or other paper or document which it reasonably believes to be genuine and which it reasonably believes has been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered by it hereunder in good faith and in accordance therewith. In its discretion, a Fiduciary may accept such evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction which is required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authority Officer.

Section 1107. Compensation.

Unless otherwise provided for by the terms of a contract with the Fiduciary, the Authority shall pay reasonable compensation from time to time to each Fiduciary for all services rendered by it hereunder, and the Authority shall also reimburse any Fiduciary for all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents, and employees which are incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have a first lien thereon on any and all funds and other property which shall at any time be held by it hereunder; provided, however, that moneys which are on deposit in any fund which represents the proceeds from any draw made under any Financing Facility or Liquidity Facility issued with respect to the Bonds shall not be subject to such lien. The Authority and/or the Bondholders, as the case may be, shall indemnify and shall save each Fiduciary harmless against any liabilities, loss or expenses including without limitation, reasonable attorney's fees and the cost of defending or settling any action, suit or proceeding or resisting any claim which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its gross negligence or willful misconduct.

Section 1108. Certain Permitted Acts.

Any Fiduciary may become the owner of or may deal in the Bonds as fully and with the same rights as it would have had if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds which are then Outstanding. Notwithstanding any other provision of the Indenture, nothing contained herein shall restrict any Fiduciary from entering into any contract, agreement or other relationship relating to the provision of banking, financial or other services to the Authority, the Municipalities, or any agencies thereof.

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excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee. After such appointment of a successor Trustee, the Authority shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding. If in a proper case no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiduciary shall have given written notice to the Authority as provided in Section 1109 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint such successor. Said court may thereupon, after such notice, if any, as such court may deem proper and may prescribe, appoint such successor Fiduciary. Any successor Fiduciary appointed under the provisions of this Section shall be a bank, trust company, national banking association or other banking institution doing business and having a corporate trust office located in the State of New Jersey having the qualifications which are prescribed by this Article, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the appointment on reasonable and customary terms and which is authorized by law to perform all duties which are imposed upon it by the terms of the Indenture. Notwithstanding any provision contained herein to the contrary, any successor trustee which shall be appointed shall have a capital and surplus of at least \$50,000,000.

Section 1112. Transfer of Rights and Property to Successor Fiduciary.

Any successor Fiduciary which is appointed under the provisions of Section 1111 hereof shall execute and deliver to its predecessor Fiduciary, and also to the Authority, a written instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary. The Fiduciary ceasing to act shall nevertheless, upon payment of such Fiduciary's fees and expenses, and upon the written request of the Authority or of the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other thing as may reasonably be required to more fully and certainly vest and confirm in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under the terms of the Indenture. The predecessor Fiduciary shall pay over, assign and deliver to the successor Fiduciary and money or other property which is subject to the trusts and conditions herein set forth. Should any deed, conveyance or written instrument be required from the Authority by such successor Fiduciary to more fully and certainly vest in and confirm to such successor Fiduciary any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and written instruments shall, upon request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

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Section 1113. Merger or Consolidation.

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversation or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be a bank, trust company, national banking association or other banking institution which is qualified to be a successor to such Fiduciary under the provisions of Section 1111 hereof, and which shall be authorized by law to perform all the duties imposed upon it by the terms of the Indenture) shall be the successor to such Fiduciary without the execution or filing of any paper, or the performance of any further act, deed or conveyance.

Section 1114. Adoption of Authentication.

In case any of the Bonds which are contemplated to be issued under the terms of the Indenture shall have been authenticated but not delivered, any successor Trustee or Registrar, as the case may be, may adopt the certificate of authentication of any predecessor Trustee or Registrar so authenticating such Bonds and may deliver such Bonds so authenticated. In any case where any Bonds shall not have been authenticated, any successor Trustee or Registrar may authenticate such Bonds in the name of the predecessor Trustee or Registrar, as the case may be, or in the name of the successor Trustee or Registrar, and in all such cases such certificate of authentication shall have the full force and effect which is provided in said Bonds or in the Indenture.

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Obligations referred to above are sufficient to provide for the defeasance of all Outstanding Bonds of such Series, or a maturity within such Series, any additional moneys which are generated or which are available may be paid over to the Authority by the Trustee and may be used by the Authority for any lawful purpose, free and clear of any trust, lien or pledge. Any deficiency in the amounts which are on deposit with the Trustee which are necessary to accomplish a defeasance of the Bonds in accordance with the terms of this Section shall be deposited promptly by the Authority with the Trustee for the purposes of accomplishing said defeasance.

(3) Notwithstanding anything contained herein to the contrary, no such defeasance shall be effective until all payments which are due and owing to the issuer of any Financing Facility or Liquidity Facility issued for or with respect to the Bonds to be defeased have been paid by, or on behalf of the Authority.

(4) Notwithstanding anything herein to the contrary, any obligation of the Authority to make a payment to the United States of America pursuant to the provisions of Section 511 hereof shall survive the defeasance of the lien of the Indenture provided under this Section 1201.

(5) Notwithstanding anything contained herein to the contrary, any payments made pursuant to this Section 1201 by the issuer of any Financing Facility shall be deemed to be made in satisfaction of the Authority's obligations to the Holders of the Bonds with respect to which and to the extent to which such payments are made. However, such payments by the issuer of such Financing Facility shall not be deemed to satisfy the Authority's obligation to make payment to the issuer of such Financing Facility for or in respect of such Bonds.

Section 1202. Unclaimed Funds.

Anything in the Indenture to the contrary notwithstanding, any moneys which are held by any Fiduciary in trust for the payment of the principal of, redemption premium, if any, and interest on any of the Bonds which remain unclaimed for one year after the date when such Bonds have become due and payable if such moneys were held by the Fiduciary at such date, or for one year after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds shall become due and payable, such moneys shall, at the written request of the Authority, be repaid to the Authority by such Fiduciary as its absolute property and such moneys shall be free from the trusts created by the terms of the Indenture. The Fiduciary shall thereupon be released and discharged with respect to such moneys and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee, shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in the authorized Newspapers of the Authority, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

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ARTICLE XII Miscellaneous

Section 1201. Defeasance.

(1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds of a particular Series, or any maturity within a Series, the principal of, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then (a) the pledge of any Revenues, and other moneys and securities which are pledged to the Holders of such Series, or maturity within a Series, under the terms of the Indenture, (b) all covenants, agreements and other obligations of the Authority and (c) the lien, benefit and security under the Indenture, shall thereupon cease, terminate and become void and shall be discharged and satisfied. In such event, the Trustee shall cause a statement to be prepared and filed with the Authority for such period or periods as shall be requested by the Authority, and, upon the request of the Authority, the Trustee shall execute and deli all such instruments as may be desirable to evidence such discharge and satisfaction, and upon payment of all fees and expenses which are due and owing to the Trustee, and any Paying Agent, the Trustee and any Paying Agent shall pay over or deliver to the Authority all moneys or securities which are held by them pursuant to the terms of the Indenture which are not required for the payment of the principal of, redemption premium, if any, and interest which is due or which is to become due on the Bonds of such Series, or maturity within such Series.

(2) All Bonds of any Series, or any maturity within a Series, for the payment or redemption of which moneys shall have been set aside and shall be held in trust shall be deemed to have been paid within the meaning and with the effect expressed in subparagraph (1) of this Section. All Outstanding Bonds of such Series, or of any maturity within such Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (1) of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations (which are not redeemable at the option of the issuer) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, which have been deposited with the Trustee at the same time shall be sufficient to pay when due the principal of redemption premium, if any, and the interest which is due and which is to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of this Section and such notice shall state such maturity or redemption date upon which moneys are to be available for the payment of the principal of, redemption premium, if any, and interest on said Bonds. To the extent that the moneys or the principal of and interest on the Investment

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Section 1203. Evidence of Signatures of Bondholders and Ownership of Bonds.

Any request, consent or other instrument which the Indenture may require or may permit to be signed and executed by the bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of (1) the execution of any such instrument, or of an instrument appointing any such attorney, or (2) the holding by any person of the bonds shall be sufficient for any purpose of the Indenture (except as otherwise expressly provided herein) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same to be desirable:

(a) The fact and date of the execution by any Bondholder or by his attorney of such instrument may be provided by the certificate (which need not be acknowledged or verified) of an officer of a bank, trust company, national banking association or other banking institution (which is satisfactory to the Trustee) or of any notary public or other officer which is authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledges to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The Authority or the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(b) The ownership of Bonds which are registered and the amount, numbers and other identification and date of holding the same shall be provided by the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar. Any request or consent by the owner of any Bonds shall bind all future owners of such Bonds with respect to anything done or suffered to be done.

Section 1204. Execution of Payment Documents.

Every requisition, certificate or request of the Authority which is to be delivered to or filed with the Trustee, or the Remarketing Agent, Paying Agent, Registrar or Tender Agent with respect to Variable Rate Bonds, under the provisions of the Indenture shall be signed by an Authority Officer.

Section 1205. Preservation and Inspection of Documents.

All requisitions, requests, certificates, opinions and other documents which are received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Accountant, any Bondholder and their agents and their representatives, any of whom may make copies thereof but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time which is at least six years after such date as the pledge of the Revenues created by the Indenture shall be discharged as provided in Section 1201 hereof.

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Section 1206. Regulations Regarding Investment of Funds.

(a) Obligations which are purchased as an investment of moneys in any fund which has been established under the terms of the Indenture shall be deemed at all times to be a part of such fund, and, except as may be otherwise expressly provided in other Sections of the Indenture (or in any Supplemental Indenture), the interest thereon and any profit arising on the sale thereof shall be credited to such fund, and any loss resulting from the sale thereof shall be charged to such fund.

(b) A valuation of each Fund established and created under the terms of the Indenture, including all Investment Obligations therein, shall be made by the Trustee annually. The obligation of such annual valuation shall be satisfied by the Trustee providing the Authority monthly statements of account regarding each of the Funds and Accounts held by the Trustee.

(c) In computing the amount in any such fund for any purpose hereunder, obligations so purchased if due within one year after such date shall be valued at the face value (exclusive of accrued interest) or, if not due within one year after such date shall be valued at the lower of cost or market price thereof (exclusive of accrued interest) and may be so valued as of any time within four days prior to such date. The Trustee shall sell any obligations which are so purchased (at the best available price) whenever it shall be necessary to do so in order to provide moneys to make any withdrawal or payment from such fund, and the Trustee shall not be liable to responsible for any loss which results from any such investment which is made in accordance with the terms of the Indenture. for the purposes of any such investment, obligations shall be deemed to mature at the earliest date on which the issuer thereof is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations.

Section 1207. Form of Bonds, Certificate of Authentication.

Subject to the provisions of the Indenture and any Supplemental Indenture, the forms of any Series of the Bonds, the certificate of authentication to be executed by the Trustee or the Registrar, as the case may be and the provisions for registration to be endorsed thereon shall be, respectively, in substantially the following forms, with such omissions, insertions, endorsements and variations as to redemption or other provisions or as to recitals of fact as may be required by the circumstances and as may be required or permitted by the terms of the Indenture or as may be consistent with the terms of the Indenture and which are necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

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This Bond is a direct and special obligation of the Authority and is payable from the Trust Estate, as such term is defined in the Indenture; provided however, that the power and obligation of the Authority to cause application of the Revenues, as such term is defined in the Indenture and other funds to the payment of the principal of, redemption premium, if any, and the interest on the Bonds is subject to the terms of the Indenture.

Pursuant to the terms of the Indenture, the Authority may hereafter issue additional Bonds (hereinafter called "Additional Bonds") for the purposes, in the amounts and on the conditions set forth in the Indenture. All Bonds which are issued and which are to be issued under the terms of the Indenture, including all Additional Bonds, are and will be equally secured by the pledge of the funds and revenues provided in the Indenture except as otherwise expressly provided in or pursuant to the terms of the Indenture.

Reference to the Indenture and any and all indentures supplemental thereto and any modifications and amendments thereof and to the Act is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged for the payment thereof, the nature, manner and extent of the enforcement of such pledge, the rights and remedies of the Holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee.

To the extent and in the respects permitted by the Indenture, the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Indenture. The pledge of the revenues and other obligations of the Authority under the terms of the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the registration books of the Authority which are kept and maintained for that purpose at the principal corporate trust office of _____ (the "Registrar"), as registrar under the Indenture, or its successor as Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the registered owner or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered Bond or Bonds, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond as provided in the Indenture, upon payment of the charges therein prescribed. The Authority, the Trustee, the Registrar and any Paying Agent of the Authority may treat and consider the person in whose name this Bond is registered as the Holder and absolute owner of this Bond for the purpose of receiving payment of the principal of, redemption premium, if any, and interest due thereon and for all other purposes whatsoever.

The Bonds maturing on or after _____, are subject to redemption at the option of the Authority prior to maturity, upon the provision of notice as set forth below, as a

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(FORM OF BOND)

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,
SERIES _____

\$ _____

No. R-__

INTEREST RATE PER ANNUM	DATED DATE	MATURITY DATE	DATE OF AUTHENTICATION	CUSIP NUMBER
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The HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (hereinafter called the "Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey, acknowledges itself indebted and for value received hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars (\$ _____), on the MATURITY DATE stated above or on the date fixed for redemption, as the case may be, together with interest on such principal sum from the date of this bond until the Authority's obligation with respect to the payment of such principal sum shall be discharged, at the INTEREST RATE PER ANNUM stated above on _____, 200__, and semiannually thereafter on the ____ days of _____ and _____. This bond, as to principal and redemption premium, if any, when due, will be payable at the principal corporate trust office of _____ (the "Trustee") Interest on this Bond will be payable by check and will be mailed to the registered owner hereof who shall appear on the registration books of the Authority which shall be kept and maintained by the Registrar hereinafter mentioned, as determined on the ____ day of _____ and _____ (the "Record Date"). Payment of the principal of, redemption premium, if any, and interest on this Bond shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

[INSERT PROVISIONS FOR VARIABLE RATE BONDS IF APPLICABLE]

This Bond is one of the duly authorized issue of revenue bonds, each designed as "City Guaranteed Hospital Revenue Bond, Series _____ [INSERT ADDITIONAL DESIGNATION, IF ANY]" (the "Bond" or "Bonds") of the Authority, limited to the aggregate principal amount of \$ _____, and authorized and issued under and pursuant to the Hospital Authorities Law of New Jersey, constituting Chapter 46 of the Pamphlet Laws of 2006, of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (hereinafter called the "Act"), and under an in accordance with an Indenture of Trust, dated as of February 1, 2007, between the Authority and the Trustee, as amended and supplemented by a _____ Supplemental Indenture, dated as of _____, 20____ (hereinafter collectively called the "Indenture"). Copies of the Indenture are on file in the office of the Authority in Hoboken, New Jersey and at the principal corporate trust office of the Trustee.

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whole at any time or in part on any Interest Payment Date, in such order of maturity as selected by the Authority and by lot within any maturity, on and after July 1, 20____, at a price equal to the redemption price, if redeemed in any periods shown in the following table, expressed as a percentage of such principal amount of Bonds to be redeemed, set opposite such period and applicable upon such redemption, together with interest accrued thereon to the redemption date:

Period (Both Dates Inclusive)	Redemption Price
----------------------------------	------------------

[The Bonds which mature on _____, are subject to mandatory redemption prior to maturity, in part, upon published notice as set forth below, by operation of the Sinking Fund Installments established and created under the Indenture, upon the terms and conditions and on the dates and in the amounts which are set forth in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.]

[Additional redemptions to be added, as provided in applicable Series Resolution.]

A notice of redemption will be published at least once in a newspaper which is printed in the English language and published and of general circulation in the County of Hudson, New Jersey or in the Borough of Manhattan, City and State of New York, and otherwise as provided in the Indenture, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Indenture. A copy of such notice of redemption shall also be mailed, not less than twenty-five (25) days prior to the redemption date, to the registered owner hereof, in accordance with the provisions of the Indenture. If notice of redemption shall have been provided as aforesaid, the Bonds which are specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all of the Bonds which are to be redeemed, together with interest accrued thereon to the redemption date, shall be available for such payment on said date, then from and after the redemption date, interest on such Bonds shall cease to accrue and become payable to the Holders who are entitled to receive payment thereof upon such redemption.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS BY REASON OF THE ISSURANCE THEREOF.

THE BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY COUNTY OR ANY MUNICIPALITY (EXCEPT THE CITY, TO THE EXTENT OF THE CITY GUARANTY), AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS,

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LIABILITY OR OBLIGATION OF SAID STATE, OR OF ANY COUNTY OR ANY MUNICIPALITY (EXCEPT THE CITY, TO THE EXTENT OF THE CITY GUARANTY), EITHER LEGAL, MORAL OR OTHERWISE.

It is hereby certified and recited that all conditions, acts and things which are required by the Constitution or by the statutes of the State of New Jersey or by the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the Bonds, together with all other indebtedness of the Authority, are within every debt and other limit prescribed by said Constitution or statutes.

This Bond shall not be entitled to any security or benefit under the terms of the Indenture or be valid or obligatory for any purpose unless the certificate of authentication has been duly executed by the Trustee upon original issuance and thereafter by the Registrar.

IN WITNESS WHEREOF, the HOBOKEN MUNICIPAL HOSPITAL AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman, Vice Chairman or Executive Director, and its corporate seal to be affixed, impressed or reproduced hereon, and this Bond and such seal to be attested by the manual or facsimile signature of its Secretary/Treasurer or Assistant Secretary, all as of the DATED DATE set forth above.

ATTEST:

HOBOKEN MUNICIPAL
HOSPITAL AUTHORITY

Secretary

By: _____
Chairman

[SEAL]

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[FORM OF CERTIFICATE OF AUTHENTICATION ON BOND]

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the within-mentioned Indenture and is one of the "City of Hoboken Guaranteed Hospital Revenue Bonds, Series ____" of the Hoboken Municipal Hospital Authority.

_____, or _____
as Trustee as Registrar

By: _____ By: _____
Authorized Signature Authorized Signature

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[GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY]

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

_____]_____
Mayor

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[FORM OF ASSIGNMENT ON BACK OF BOND]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ [PLEASE PRINT OR TYPE NAME, ADDRESS AND TAXPAYER IDENTIFICATION NO. OF ASSIGNEE] the within Bonds and all rights thereunder, and hereby irrevocably constitutes and appoints _____, as Attorney, to transfer the within Bonds on the registration books of The Hoboken Municipal Hospital Authority, with full power of substitution and revocation.

NOTICE: The signature to this assignment must correspond with the name of the registered owner hereof as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

SIGNATURE GUARANTEE:

(National Bank, trust company or commercial bank located in the City or State of New York, or the State of New Jersey, or any member of the New York Stock Exchange)

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture of Trust to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**HOBOKEN MUNICIPAL HOSPITAL
AUTHORITY**

[SEAL]

By: _____
George W. Crimmins
Executive Director

Attest:

Camille Corea, Secretary

[SEAL]

Commerce Bank, National Association, as Trustee

By: _____
Authorized Officer

Attest:

FORM OF REQUISITION FOR PAYMENT FROM CONSTRUCTION FUND

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY
HOSPITAL REVENUE BONDS**

TO: **COMMERCE BANK, NATIONAL ASSOCIATION, AS TRUSTEE (THE "TRUSTEE") UNDER THE INDENTURE OF TRUST DATED AS OF FEBRUARY 1, 2007 (THE "INDENTURE"), BETWEEN THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (THE "AUTHORITY") AND THE TRUSTEE**

This requisition for payment is delivered to the Trustee in accordance with Article IV of the Indenture. Payment shall be made from the Construction Fund established in accordance with Article IV of the Indenture. All terms used herein which are not otherwise defined herein shall have the meanings given such terms in the Indenture.

- (1) Requisition Payment No.: _____
- (2) Amount of disbursement from the Construction Fund: \$ _____
- (3) Payment Instructions: Payments shall be made by the Trustee in accordance with Section 4 of the Indenture, as reflected in Schedule A attached hereto.

**HOBOKEN MUNICIPAL HOSPITAL
AUTHORITY**

By: _____
Authorized Officer

Dated: _____

FIRST SUPPLEMENTAL INDENTURE

Securing the

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)

and

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,
SERIES 2007B (FEDERALLY TAXABLE)

FIRST SUPPLEMENTAL INDENTURE

Between

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

And

COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of February 1, 2007

Securing

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)

and

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,
SERIES 2007B (FEDERALLY TAXABLE)

THIS FIRST SUPPLEMENTAL INDENTURE dated as of February 1, 2007 (the "First Supplemental Indenture") by and between the HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), existing under and by virtue of the laws of the State, and in particular, the Municipal Hospital Authorities Law, N.J.S.A. 30:9-23.15 et seq., as may be amended and supplemented, and Commerce Bank, National Association, Cherry Hill, New Jersey, as trustee (together with its successors, the "Trustee").

WITNESSETH:

WHEREAS, the Authority has been duly created by an ordinance duly adopted by the City Council of the City of Hoboken, in the County of Hudson, New Jersey (the "City"); and

WHEREAS, by a bond resolution entitled "RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO FINANCE CERTAIN COSTS IN CONNECTION WITH THE ACQUISITION OF CERTAIN ASSETS RELATING TO ST. MARY HOSPITAL, THE OPERATION THEREOF AND THE CONSTRUCTION OF CERTAIN IMPROVEMENTS THERETO, AND FURTHER AUTHORIZING THE EXECUTION OF A TRUST INDENTURE TO SECURE SAME" adopted by the Authority on January 3, 2007 (the "Bond Resolution"), as amended and supplemented by the hereinafter defined 2007 Series Resolution, the Authority has heretofore determined to finance a project (the "Initial Project"), consisting of: (A) various capital improvements and the acquisition of fixed and major moveable equipment for hospital facilities located at 308 Willow Avenue, Hoboken, New Jersey (the "Hospital"), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square foot emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) acquisition of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey, to be used as a clinic, physician offices and training

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facility, (C) acquisition of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey, to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (D) construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used for hospital office facilities, (E) capitalized interest for the Initial Bonds (as defined in the Indenture), (F) initial start-up working capital and reserves for operation of the Hospital, (G) a deposit to a debt service reserve fund for the Initial Bonds, and (H) costs of issuing the Initial Bonds; and

WHEREAS, the Authority and the Trustee have heretofore entered into an Indenture of Trust dated as of February 1, 2007 (the "Indenture") providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time, including specifically the Initial Bonds; and

WHEREAS, the Authority intends to finance the costs of the Initial Project through the issuance of the Initial Bonds, which shall consist of the hereinafter-defined 2007A Bonds and 2007B Bonds (collectively, the "2007 Bonds"); and

WHEREAS, the 2007 Bonds will be parity Bonds under the Indenture and, as such, they will be equally secured (except as otherwise provided herein and in the Indenture), together with all other "Bonds" issued thereunder, by the Trust Estate, including without limitation the "Revenues" of the Authority; and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the "Local Bond Law"); and

WHEREAS, the Authority has made a detailed report dealing with the Initial Project and the 2007 Bonds (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

WHEREAS, in order to provide inducement to the prospective purchasers of the 2007 Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, on January 3, 2007 the City has finally adopted an ordinance (the "Guaranty Ordinance") providing for the unconditional guaranty (the "City Guaranty") by the City of the payment when due of the principal of and interest on the 2007 Bonds, and to implement said Guaranty Ordinance the City and the Authority and the Trustee will enter into a Guaranty Agreement dated as of February 1, 2007 relating to the 2007 Bonds (the "Guaranty Agreement"); and

WHEREAS, the principal of (including sinking fund installments, if any) and interest on the 2007 Bonds when due will also be insured by Financial Security Assurance Inc. a New York stock insurance company, or any successor thereto or assignee thereof (the "Bond Insurer") in accordance with the terms of separate new issue municipal bond insurance policies; and

WHEREAS, the Authority, the City and the Trustee have heretofore entered into a Continuing Disclosure Agreement dated as of February 1, 2007 (the "Continuing Disclosure Agreement"); and

WHEREAS, in order to market and sell the 2007 Bonds, (i) the Authority has heretofore prepared and caused to be circulated a Preliminary Official Statement (the "POS") and will hereafter cause to be circulated a final Official Statement (the "OS"), (ii) the Authority will enter into a negotiated sale of the 2007 Bonds with NW Capital Markets Inc. (the "Underwriter") pursuant to the terms of a bond purchase agreement (the "BPA") and (iii) the City and the Authority shall take such other actions and shall authorize, execute or acknowledge, as the case may be, and deliver such other documents, instruments or certificates as bond counsel and financial advisor to the Authority deem necessary, convenient, useful or desirable in order to issue the 2007 Bonds (collectively, the "Certificates"), and together with the Indenture, this First Supplemental Indenture, the Guaranty Agreement, the POS, the OS, the BPA and the Continuing Disclosure Agreement, the "Financing Documents"); and

WHEREAS, any of the Financing Documents may be combined into one or more documents as the Authority deems necessary, desirable, useful or convenient; and

WHEREAS, on January 24, 2007 the Authority adopted a resolution, constituting a "Series Resolution" (the "2007 Series Resolution"), authorizing certain actions and determining certain matters in connection with the sale of the 2007 Bonds upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and certain other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority covenants with the Trustee, for the equal and proportionate benefit of the respective Holders, from time to time, of the 2007 Bonds and all other Bonds issued under the Indenture, as follows:

ARTICLE I
Definitions and Statutory Authority

SECTION 1.1. First Supplemental Indenture.

This First Supplemental Indenture is executed and delivered for the purpose of issuing and securing the 2007 Bonds, in accordance with Article II and Article XII of the Indenture.

SECTION 1.2. Definitions.

All terms which are defined in Section 101 of the Indenture shall have the same meanings, respectively, in this First Supplemental Indenture as such terms are given in said Section 101 of the Indenture, except as herein provided.

In addition, the following terms shall have the meaning specified in this Section 1.2:

“Bond Insurance Policy” means the insurance policy or policies, as the case may be, issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the 2007 Bonds when due.

“Bond Year” shall mean means each twelve-month period commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year; provided, that the first Bond Year shall begin on the date of issuance of the 2007 Bonds.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the 2007B Bond being redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2007B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2007B Bonds, (1) the average of five Reference Treasury Dealer quotations for such redemption date, after excluding the highest and lowest such quotations, or (2) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained.

“Comparable Treasury Yield” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15 (519) Selected Interest Rates” under the heading “Treasury Constant Maturities” or successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that established yields on the actively traded U.S. Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2007B Bond being redeemed. The Comparable Treasury Yield shall be determined as of the third business day immediately

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more than 10% of the proceeds of the 2007A Bonds can be used to satisfy the Debt Service Reserve Requirement for the 2007A Bonds.

“Executive Director’s Certificate” shall mean the certificate referred to in Section 2.1(a) hereof.

“Favorable Tax Opinion” shall mean a Counsel’s Opinion, dated the Conversion Date, to the effect that from and after such Conversion Date, interest on the 2007A Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in “adjusted current earnings” in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations.

“Initial Taxable Rates” shall mean, as to each maturity of the 2007A Bonds, the respective rates applicable from and after the Issue Date and until the first Reset Date as listed on the table set forth in Section 2.2(a) hereof under the column entitled “Initial Taxable Rate”.

“Independent Banking Institution” shall mean an investment banking institution of national standing that is a primary U.S. government securities dealer in the City of New York, as designated by the Issuer.

“Issue Date” shall mean February 1, 2007.

“Make-Whole Premium” shall mean with respect to any 2007B Bond to be redeemed, an amount calculated by an Independent Banking Institution equal to the positive difference, if any, between:

(i) The sum of the present values, calculated as of the redemption date, of:

(A) Each interest payment that, but for the redemption, would have been payable on the 2007B Bond or portion thereof being redeemed on each regularly scheduled interest payment date occurring after the redemption date through the maturity date of such 2007B Bond (excluding any accrued interest for the period prior to the redemption date); provided, that if the redemption date is not a regularly scheduled interest payment date with respect to such 2007B Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2007B Bond to the redemption date; plus

(B) The principal amount that, but for such redemption, would have been on the maturity date of the 2007B bond or portion thereof being redeemed; minus

(ii) The principal amount of the 2007B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in clause (i) above shall be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the redemption date

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preceding the applicable redemption date. If the H.15 (519) statistical release sets forth a weekly average yield for U.S. Treasury securities that have a constant maturity that is within three months of the remaining term to maturity of the 2007B Bond being redeemed, then the Comparable Treasury Yield shall be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield shall be calculated by interpolation on a straight-line basis, between the weekly average yields on the U.S. securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2007B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2007B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1% with any figure of 1/200th of 1% or above being rounded upwards.

If, and only if, weekly averages for U.S. Treasury securities for the preceding week are not available in the H.15 (519) statistical release or any successor publication, then the Comparable Treasury Yield shall be the rate of interest per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) as of redemption date.

“Conversion Date” shall mean, in the case of the 2007A Bonds, the first day of any month coincident with the issuance of a Favorable Tax Opinion, but no later than January 1, 2010.

“Costs of Issuance” shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority and/or the City and related to the authorization, execution, sale and delivery of the 2007 Bonds, including, but not limited to fees and expenses payable to the Bond Insurer relating to the Bond Insurance Policy or the Debt Service Reserve Facility, if any, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary and the Authority, the fees to be paid to the Underwriter and to financial advisors and accountants and for legal fees and disbursements of the City, the Authority, the Bond Insurer, any Fiduciary and the Underwriter and initial charges and all other initial fees and disbursements contemplated by the Financing Documents and the Local Finance Board Application relating to the 2007 Bonds.

“Costs of Issuance Fund” shall mean the fund by that name established by the Trustee pursuant to Section 501(4) of the Indenture and Section 2.8 hereof.

“Counsel’s Opinion” shall mean an opinion of nationally recognized bond counsel.

“Debt Service Reserve Requirement” shall mean, in the case of the 2007A Bonds, as of the date of calculation, an amount equal to the lesser of (i) the greatest amount required in the then current Bond Year to pay the sum of (a) interest on the 2007A Bonds on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year (assuming for this purpose that the 2007A Bonds bear interest at the Tax Exempt Rates), and (b) the principal or Sinking Fund Installment, as the case may be, of the 2007A Bonds payable on July 1 of the next succeeding Bond Year; and (ii) ten percent (10%) of the “proceeds” of the 2007A Bonds, within the meaning of Section 148(d) of the Code. Notwithstanding anything to the contrary herein, not

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on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield plus 15.0 basis points.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer in the United States appointed by the Authority and reasonably acceptable to the Independent Banking Institution.

“Reset Date” shall mean, as to the 2007A Bonds, each of January 1, 2008, January 1 2009 and January 1, 2010, provided that the Conversion Date has not occurred.

“Reset Taxable Rates” shall mean, as to each maturity of the 2007A Bonds, the respective rates as listed on the table set forth in Section 2.2(a) hereof: (a) under the column entitled “2008 Reset Rate” for the period beginning on the first Reset Date (January 1, 2008), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rates; (b) under the column entitled “2009 Reset Rate” for the period beginning on the second Reset Date (January 1, 2009), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rate; and (c) under the column entitled “2010 Reset Rate” for the period beginning on the third Reset Date (January 1, 2010), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rate. The Reset Taxable Rates shall be established seven (7) days prior to each Reset Date.

“Tax Exempt Rates” shall mean, as to each maturity of the 2007A Bonds, the respective rates applicable from and after the Conversion Date as listed on the table set forth in Section 2.2(a) hereof under the column entitled “Tax Exempt Rate”.

ARTICLE II
Terms and Conditions of the 2007 Bonds

SECTION 2.1. Authorization and Sale of the Bonds.

(a) The Authority hereby authorizes the issuance of its 2007A Bonds in the aggregate principal amount of \$40,465,000, to be designated “City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax-Exempt)”, to be issued pursuant to and secured by the Indenture, including this First Supplemental Indenture, and the terms of a Series Resolution of the Authority complying with the terms of this First Supplemental Indenture and the parameters of the Local Finance Board Application (the “*Series Resolution*”).

(b) The 2007A Bonds are to be issued to provide funds to finance the portions of the Initial Project described in clauses (A), (B), (C), (D), (E) (portion allocable to the 2007A Bonds only), (G) and (H) (portion allocable to the 2007A Bonds only) of the definition thereof contained in the recitals hereof (collectively, the “*2007A Project*”).

(c) The Authority hereby authorizes the issuance of its 2007B Bonds in the aggregate principal amount of \$11,170,000, to be designated “City of Hoboken Guaranteed Hospital

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Revenue Bonds, Series 2007B (Federally Taxable)", to be issued pursuant to and secured by the Indenture, including this First Supplemental Indenture and the terms of the Series Resolution.

(d) The 2007B Bonds are to be issued to provide funds to finance the portions of the Initial Project described in clauses (E) (portion allocable to the 2007B Bonds only), (F) and (H) (portion allocable to the 2007B Bonds only) of the definition thereof contained in the recitals hereto (collectively, the "2007B Project").

SECTION 2.2. Terms of the Bonds.

(a) The 2007A Bonds shall be dated February 1, 2007; shall bear interest from their date payable on July 1, 2007 and semi-annually thereafter, on January 1 and July 1 in each year until maturity or prior redemption; and shall be issued as in fully-registered form in denominations of \$5,000 each (or any integral multiple thereof). The 2007A Bonds shall be numbered RA-1 upwards and shall mature and shall be payable in annual principal installments on July 1 in the years and shall bear interest, as provided in paragraph (b) below, at the respective Initial Taxable Rates set forth below, the Reset Taxable Rates (as defined in Section 1.2 hereof) or the Tax-Exempt Rates set forth below:

Maturity Year	Principal Amount	Tax-Exempt Rate*	2008 Reset Rate	2009 Reset Rate	2010 Reset Rate
2010	\$1,185,000	3.90%	6.00%	6.09%	6.190%
2011	1,192,000	3.80	5.85	5.94	6.032
2012	1,995,000	3.85	5.92	6.02	6.111
2013	2,070,000	3.90	6.00	6.09	6.190
2014	2,155,000	3.95	6.08	6.17	6.270
2015	2,240,000	4.00	6.15	6.25	6.349
2016	2,325,000	4.05	6.23	6.33	6.429
2017	2,420,000	4.10	6.31	6.41	6.508
2018	2,520,000	4.15	6.38	6.48	6.587
2019	2,625,000	4.25	6.54	6.64	6.746
2020	2,735,000	4.35	6.69	6.80	6.905
2021	2,855,000	4.45	6.85	6.95	7.063
2022	2,980,000	4.50	6.92	7.03	7.143
2023	3,115,000	4.50	6.92	7.03	7.143
2024	3,255,000	4.55	7.00	7.11	7.222
2025	3,405,000	4.60	7.08	7.19	7.302

* Upon Conversion.

(b) The 2007A Bonds shall bear interest from the Issue Date to the earlier of the Conversion Date or the first Reset Date at the Initial Taxable Rates. The Initial Taxable Rate for the 2007A Bonds is 5.750%. The 2007A Bonds shall bear interest from the first Reset Date to

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SECTION 2.4. Redemption.

(a) Optional Redemption of the 2007A Bonds.

The Series 2007A Bonds maturing on or after July 1, 2018 are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as set forth in the Indenture, as a whole or in part at any time, in such order of maturity as selected by the Authority and by lot within a maturity, on and after July 1, 2017, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007A Bonds to be redeemed, together with interest accrued to the redemption date.

(b) Optional Redemption of the 2007B Bonds.

The Series 2007B Bonds are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as provided in the Indenture, as a whole or in part, at any time in such order of maturity as selected by the Authority and by lot within maturity at any time, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007B Bonds to be redeemed plus the Make-Whole Premium, if any, together with interest accrued to the redemption date.

(c) Extraordinary Redemption.

Subject to the provisions of Section 610 of the Indenture, the 2007 Bonds are subject to redemption prior to maturity in whole or in part at any time, in such order of maturity as selected by the Authority, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed together with interest accrued to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation which are directed to be deposited in the Redemption Fund established pursuant to the Indenture and applied to such redemption pursuant to the Indenture in the event that the Hospital, or any part thereof, shall have been damaged, destroyed or condemned (or sold under the threat of condemnation) or subject to a title defect, all as more fully described in the Indenture.

(d) Notice of Redemption.

Notice of redemption shall be given as provided in Section 705 of the Indenture.

SECTION 2.5. Application of the Proceeds of the Bonds.

(a) The proceeds of sale of the 2007A Bonds, in the amount of \$40,181,745.00 (par of \$40,465,000.00 less underwriter's discount of \$283,255.00), shall be applied simultaneously with the delivery of the 2007A Bonds as follows:

(i) There shall be deposited in the Capitalized Interest Subaccount of the Series 2007A Account of the Debt Service Fund

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the earlier of the Conversion Date or the second Reset Date at the Reset Taxable Rates described in clause (a) of the definition thereof contained in the recitals hereto. The 2007A Bonds shall bear interest from the second Reset Date to the earlier of the Conversion Date or the third Reset Date at the Reset Taxable Rates described in clause (b) of the definition thereof contained in the recitals hereto. The 2007A Bonds shall bear interest from the third Reset Date to maturity at the Reset Taxable Rates described in clause (c) of the definition thereof contained in the recitals hereto. From and after the Conversion Date, the 2007A Bonds shall bear interest at the Tax Exempt Rates. The Authority shall file a notice with the Trustee setting forth (i) not less than sixty (60) days prior to the Conversion Date, notice that such Conversion Date is expected to occur and the CUSIP Number which will be applicable to the 2007A Bonds from and after such Conversion Date and (ii) not less than six (6) days prior to each Reset Date (or the Conversion Date, as the case may be), the interest rate per annum to take effect with respect to the 2007A Bonds on such Reset Date or Conversion Date (and whether such interest rate is a Reset Taxable Rate or the Tax Exempt Rate); *provided, however*, that the failure of the Authority to file any such notice or any defect in any notice so provided shall not affect the conversion or resetting of the interest rate for the 2007A Bonds as set forth herein. The Trustee shall promptly mail a copy of each such notice received from the Authority pursuant to the preceding sentence to each Registered Owner of the 2007A Bonds at their addresses as they appear on the registration books maintained by the Registrar.

(c) The 2007B Bonds shall be dated February 1, 2007; shall bear interest from their date payable on July 1, 2007 and semi-annually thereafter, on January 1 and July 1 in each year until maturity or prior redemption; and shall be issued as in fully-registered form in denominations of \$5,000 each (or any integral multiple thereof). The 2007B Bonds shall be numbered RB-1 upwards and shall mature and shall be payable in annual principal installments on July 1 in the years and shall bear interest at the rates set forth below:

Maturity Year	Principal Amount	Interest Rate
2008	\$2,300,000	5.410%
2009	2,850,000	5.440
2026	6,020,000	5.816

SECTION 2.3. Place of Payment.

The principal of or Redemption Price of the 2007 Bonds shall be payable at the principal office of the Trustee in Cherry Hill, New Jersey. The interest on the 2007 Bonds is payable by check mailed to the Registered Owner thereof as of any Record Date or pursuant to the provisions of SECTION 2.6 hereof.

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an amount equal to \$3,844,765.21, which represents capitalized interest on the 2007A Bonds estimated through January 1, 2009;

(ii) There shall be deposited in the Series 2007A Account of the Debt Service Reserve Fund an amount equal to \$3,564,275.00, which amount equals the Debt Service Reserve Fund Requirement in respect of the 2007A Bonds;

(iii) There shall be deposited in the Series 2007A Account of the Costs of Issuance Fund (established hereby) an amount equal to \$678,418.54, for application to the payment of Costs of Issuance incurred in connection with the issuance of the 2007A Bonds, including without limitation the Bond Insurance Policy premium payable to the Bond Insurer in the amount of \$343,140.38 (*provided, however*, that such premium may be paid directly by the Initial Purchaser to the Bond Insurer); and

(iv) There shall be deposited in the Initial Project Account of the Construction Fund an amount equal to \$32,094,286.25, to fund costs of the 2007A Project. Disbursements therefrom shall be made in accordance with the Indenture.

(b) The proceeds of the 2007B Bonds, in the amount of \$11,091,810.00 (par of \$11,170,000.00 less underwriter's discount of \$78,190.00), shall be applied simultaneously with the delivery of the 2007B Bonds as follows:

(i) There shall be deposited in the Capitalized Interest Subaccount of the Series 2007B Account of the Debt Service Fund an amount equal to \$ 894,505.30, which represents an amount which, together with certain anticipated investment income to be transferred thereto, represents capitalized interest on the 2007B Bonds estimated through January 1, 2009;

(ii) There shall be deposited in the Operating Fund an amount equal to \$5,000,000.00;

(iii) There shall be deposited in the Operating Reserve Fund an amount equal to \$5,000,000.00, which amount equals the initial Operating Reserve Requirement under the Indenture; and

(iv) There shall be deposited in the Series 2007B Account of the Costs of Issuance Fund (established hereby) an amount equal to \$197,304.70, for application to the payment of Costs of Issuance incurred in connection with the issuance of the 2007B Bonds, including without limitation the Bond Insurance

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Policy premium payable to the Bond Insurer in the amount of \$102,937.13 (provided, however, that such premium may be paid directly by the Underwriter to the Bond Insurer).

SECTION 2.6. Book Entry Only System.

As provided in Section 309 of the Indenture, the registered Holder of all of the 2007 Bonds shall be, and the 2007 Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of DTC. Payment of interest for any 2007 Bond shall be made by wire transfer of same day funds to the account of Cede on the Interest Payment Date for the 2007 Bonds at the address indicated for Cede in the registry books of the Authority kept by the Trustee. All other provisions contained in Section 309 shall be applicable to the 2007 Bonds.

SECTION 2.7. Form of 2007 Bonds and Trustee's Authentication Certificate.

Subject to the provisions of this First Supplemental Indenture, the 2007 Bonds and the Trustee's certificate of authentication shall be of substantially in the form as in Section 1207 of the Indenture.

SECTION 2.8. Establishment of Costs of Issuance Fund.

Pursuant to Section 501(4) of the Indenture, the Trustee is hereby directed to establish on behalf of the Authority a "Costs of Issuance Fund" in respect of the 2007 Bonds, within such fund a "Series 2007A Account and a "Series 2007B Account". The Costs of Issuance Fund shall be subject to the pledge of the Indenture and shall be held by the Trustee separate and apart from other monies and securities held under the Indenture. Amounts deposited in the Costs of Issuance Fund pursuant to the terms of this First Supplemental Indenture, together with interest earned thereon, shall be held in trust by the Trustee prior to disbursement for the payment or reimbursement of Costs of Issuance upon presentation to the Trustee of a proper requisition of the Authority duly executed by an authorized officer of the Authority therefor. All income derived from the investment of monies in the Costs of Issuance Fund shall be held therein. Once all Costs of Issuance have been paid, as evidenced by a certificate of an authorized officer of the Authority, but no later than 180 days after the date hereof, any balance of monies on deposit therein shall be transferred by the Trustee to the Debt Service Fund, the Construction Fund or to such other Fund established pursuant to the Indenture as directed by an authorized officer of the Authority.

SECTION 2.9. Establishment of Account in Construction Fund; Application of Investment Earnings Thereof.

The Trustee is hereby directed to establish on behalf of the Authority within the Construction Fund, an Initial Project Account, into which shall deposited a portion of the

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ARTICLE III Tax Compliance Provisions

SECTION 3.1. Compliance with the Internal Revenue Code of 1986, as amended.

(a) Conditions to Issuance of Favorable Tax Opinion. Prior to the conversion of interest on the 2007A Bonds to the Tax Exempt Rates and the issuance of a Favorable Tax Opinion, the following conditions shall be satisfied:

(1) The Authority shall satisfy the requirements of Section 147(f) of the Code by approving the 2007A Bonds and the conversion of the interest rates thereon to the Tax Exempt Rates and have obtained approval thereof from the Mayor of the City of Hoboken, within one (1) year prior to the Conversion Date; and

(2) If the 2007A Bonds are to be treated as "qualified 501(c)(3) bonds" under the Code, then (unless specifically waived by bond counsel in its Favorable Tax Opinion),

(A) the Internal Revenue Service shall have issued a favorable determination letter with respect to the tax exempt status of Hudson Healthcare, Inc., or its successors as manager of the Hospital (the "Manager"), as a corporation described in Section 501(c)(3) of the Code; and

(B) The Authority shall receive an opinion letter from counsel to the Manager stating that the Manager has been determined to be and is exempt from Federal income taxes under Section 501(a) of the Code, by virtue of being an organization described in Section 501(c)(3) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code, and is not a "private foundation" as defined in Section 509(a) of the Code and, to the best knowledge of such counsel after due inquiry of responsible officers of the Manager, the Manager has made all filings necessary to maintain its status as an exempt organization and has done nothing to impair its status as an exempt organization described in Section 501(c)(3) of the Code, and the projects refinanced with the proceeds of the 2007A Bonds will be, if used as described in the Financing Documents, used in furtherance of the Manager's exempt purpose under the Code and will not adversely impact the Manager's status as an organization described in Section 501(c)(3) of the Code; and

(C) Both the Authority and the Manager have provided such written certifications and covenants as may be required by bond counsel to the Authority.

(b) The Authority covenants to comply with the provisions of the Code applicable to the 2007A Bonds while they bear interest at the Tax Exempt Rates and covenants not to take any action that would cause the interest on any of the 2007A Bonds to lose the exclusion from gross income for federal income tax purposes provided under Section 103 of the Code. On and after the Conversion Date, the Authority will take all actions necessary to assure that interest on the

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proceeds of the 2007A Bonds as provided in Section 2.5(a)(iv) hereof and which shall be used to pay Costs of the 2007A Project. During the period prior to the delivery of a Completion Certificate with respect to the 2007A Project, interest earned on any investments in the 2007A Construction Account shall be retained in such Account.

SECTION 2.10. Establishment of Accounts in Debt Service Fund and Debt Service Reserve Fund; Application of Investment Earnings Thereof

(a) The Trustee is hereby directed to establish on behalf of the Authority within the Debt Service Fund, a Series 2007A Account and a Series 2007B Account, and within each such account a Capitalized Interest Subaccount, into which shall deposited a portion of the proceeds of the 2007A Bonds and 2007B Bonds, as provided in Sections 2.5(a)(i) and 2.5(b)(i) hereof. Said Series 2007A Account and Series 2007B Account shall be used to pay debt service on the 2007A Bonds and the 2007B Bonds, respectively. Interest earned on any investments in the Series 2007A Account (whether in respect of the Capitalized Interest Account or otherwise) shall be retained therein. Interest earned on any investments in the Series 2007B Account (whether in respect of the Capitalized Interest Account or otherwise) shall be retained therein.

(b) The Trustee is hereby directed to establish on behalf of the Authority within the Debt Service Reserve Fund, a Series 2007A Account, into which shall deposited a portion of the proceeds of the 2007A Bonds, in an amount equal to the Debt Service Reserve Fund Requirement for the 2007A Bonds, as provided in Section 2.5(a)(ii) hereof. During the period prior to the delivery of a Completion Certificate with respect to the 2007A Project, interest earned on any investments in the Series 2007A Account shall be paid over to the Authority for deposit into the Initial Project Account of the Construction Fund. Thereafter, interest earned on any investments in the Series 2007A Account shall be transferred to the Revenue Fund

SECTION 2.11. Application of Investment Earnings of the Operating Fund and the Operating Reserve Fund.

Interest earned on any investments in the Operating Fund and the Operating Reserve Fund shall, until January 1, 2009, be transferred to the Series 2007B Account of the Debt Service Fund. Thereafter, interest earned on any investments in the Series 2007A Account shall be applied as provided in Sections 506 and 508, respectively, of the Indenture.

SECTION 2.12. Determination of Capital Replacement Requirement.

Prior to January 1, 2008, the Capital Replacement Requirement shall be \$0. From and after January 1, 2008, the Capital Replacement Requirement shall be such as amount as set forth in the Authority's Annual Budget or as established by resolution.

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2007A Bonds does not lose the exclusion from gross income tax purposes provided under Section 103 of the Code. The Authority will, at all times while the 2007A Bonds remain outstanding and bear interest at the Tax Exempt Rates, comply, and (if the 2007A Bonds to be treated as "qualified 501(c)(3) bonds" under the Code) will cause the Manager to comply, with all of its covenants and representations contained in its tax certificates executed in connection with the 2007A Bonds, unless the Authority first obtains an opinion of nationally recognized bond counsel to the effect that failure to comply does not adversely affect the exclusion of interest on the 2007A Bonds from gross income for federal income tax purposes.

(c) The Authority shall not take any action or omit to take any action (or, if the 2007A Bonds to be treated as "qualified 501(c)(3) bonds" under the Code, permit the Manager to take any action or omit to take any action) that would cause the 2007A Bonds while they bear interest at the Tax Exempt Rates to be "private activity bonds" within the meaning of Section 141 (a) of the Code, other than "qualified 501(c)(3) bonds", within the meaning of Section 145(a) of the Code.

SECTION 3.2. Establishment of Rebate Fund.

The Trustee is hereby directed to establish after the Conversion Date on behalf of the Authority for the 2007A Bonds, a "Series 2007A Account" within the Rebate Fund established under the Indenture. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code shall be deposited in said account within the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee in such Investment Obligations as may be directed by the Authority in accordance with the provisions of the Indenture; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the provisions of the Code. All income from such Investment Obligations shall be held within the Rebate Fund. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of this Indenture.

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ARTICLE IV
Bond Insurance Provisions

SECTION 4.1 Provisions With Respect to the Bond Insurer and the Bond Insurance Policies.

During the period that the Bond Insurance Policy is in effect, the following provisions shall be applicable to the 2007 Bonds, notwithstanding anything to the contrary set forth in the Indenture. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Bond Insurer's Commitment dated January 22, 2007.

(a) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the 2007 Bonds.

(b) The Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2007 Bonds insured by it are entitled to take pursuant to the article of the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Bondholders shall expressly include mandamus.

(c) The security for the 2007 Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the 2007 Bonds and a default under any such agreement shall constitute an Event of Default under the Indenture.

(d) If acceleration is permitted under the Indenture, the maturity of 2007 Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the 2007 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Insurance Policy with respect to such 2007 Bonds shall be fully discharged.

(e) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Bond Insurer. No grace period shall be permitted for payment defaults.

(f) The Bond Insurer shall be included as a third party beneficiary to the Indenture.

(g) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of 2007 Bonds to be redeemed shall be subject to the approval of the Bond Insurer. The exercise of any provision of the Indenture which permits the purchase

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2007 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(l) Amounts paid by the Bond Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the 2007 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

(m) Each of the Authority and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(n) Claims Upon the Insurance Policy and Payments by and to the Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the 2007 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2007 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2007 Bonds and the amount required to pay principal of the 2007 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on 2007 Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2007 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any 2007 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

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of 2007 Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer if any 2007 Bond so purchased is not cancelled upon purchase.

(h) Any amendment, supplement, modification to, or waiver of, the Indenture, the Guaranty Agreement, or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

(i) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the 2007 Bonds.

(j) The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Bond Insurer.

(k) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasury"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the 2007 Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the 2007 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the 2007 Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the 2007 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

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Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the 2007 Bonds under the sections hereof regarding payment of 2007 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2007 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the 2007 Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

(o) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the 2007 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(p) The Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer

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reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(q) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the 2007 Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(r) The Bond Insurer shall be entitled to pay principal or interest on the 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the 2007 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

The notice address of the Bond Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(s) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

(t) 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 2007 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 Insurance Policy.

(u) No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the 2007 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(v) If the 2007 Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Bond Insurer (or a reliance letter relating thereto), or a certificate of discharge of the trustee for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the Refunded Bonds are FSA-insured, at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Bond Insurer shall also receive (i) the verification letter, of which Financial Security shall be an addressee, by

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- (vii) Notice of the commencement of any proceeding by or against the Authority, the Manager or the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (viii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2007 Bonds;
- (ix) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and
- (x) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

an independent firm of certified public accountants which is either nationally recognized or otherwise acceptable to the Bond Insurer, of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Bond Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Bond Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Trustee's discharge certificate, as the case may be, shall be forwarded to the Bond Insurer prior to delivery of the 2007 Bonds.

SECTION 4.2 Information to be Provided to the Bond Insurer.

The Bond Insurer shall be provided with the following information by the Authority or Trustee, as the case may be:

- (i) Annual audited financial statements of the Authority within 150 days after the end of the Authority's (together with a certification that there is no default or Event of Default under the Indenture or the Guaranty) and the Authority's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
- (ii) Annual audited financial statements of the City within 270 days after the end of the City's fiscal year (together with a certification that there is no default or Event of Default under the Indenture or the Guaranty) and the City's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
- (iii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of 2007 Bonds;
- (iv) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;
- (v) Prior notice of the advance refunding or redemption of any of the 2007 Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (vi) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

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ARTICLE V Miscellaneous

SECTION 5.1. Execution in Counterparts.

This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 5.2. Effective Date.

This First Supplemental Indenture shall be effective immediately.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**HOBOKEN MUNICIPAL HOSPITAL
AUTHORITY**

[SEAL]

By: _____
George W. Crimmins, Executive Director

Attest:

Camille Corea, Secretary

**COMMERCE BANK, NATIONAL
ASSOCIATION, as Trustee**

[SEAL]

By: _____
Authorized Officer

Attest:

APPENDIX D

**CITY OF HOBOKEN GUARANTY ORDINANCE
AND
FORM OF GUARANTY AGREEMENT**

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**ORDINANCE OF THE CITY OF HOBOKEN, IN THE
COUNTY OF HUDSON, NEW JERSEY
AUTHORIZING THE GUARANTY BY THE CITY
OF HOBOKEN OF BONDS, NOTES OR OTHER
OBLIGATIONS OF THE HOBOKEN MUNICIPAL
HOSPITAL AUTHORITY, IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED
\$52,000,000 AND AUTHORIZING VARIOUS
AGREEMENTS AND RELATED MATTERS IN
CONNECTION THEREWITH**

WHEREAS, for over 143 years, St. Mary Hospital (the “Hospital”) has provided affordable and convenient healthcare services to the residents of the City of Hoboken, in the County of Hudson, New Jersey (the “City”); and

WHEREAS, the City was advised by the Hospital that it intends to close and that it has submitted a Certificate of Need to the New Jersey Department of Health and Senior Services for permission to do so; and

WHEREAS, the City declared that a serious public emergency would exist affecting the health, safety and welfare of the people of the City resulting from the fact that the Hospital would close, unless the City took certain actions; and

WHEREAS, the Legislature of the State of New Jersey (the “State”) has enacted the Municipal Hospital Authority Law N.J.S.A. 30:9-23.15 *et seq.* (the “Act”), which authorizes cities to acquire certain existing urban hospitals and to operate them; and

WHEREAS, the City has formed an authority known as the Hoboken Municipal Hospital Authority (the “Authority”) pursuant to the provisions of the Act, to acquire the Hospital in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to the extent deemed necessary by the City, for such facilities to obtain the financial support and other resources from the City that are needed to operate; and

WHEREAS, the formation of the Authority, the acquisition by such Authority of the Hospital and the operation thereof by such Authority has been declared to be a public use and purpose; and

WHEREAS, pursuant to the provisions of the Act, the Authority intends to issue bonds, notes or other obligations (collectively, the “Obligations”) to finance, among other things, initial working capital for the Authority, the establishment an operating reserve fund, the acquisition of certain real and personal property and the construction of certain capital improvements, and the payment of costs of issuance of the Obligations (collectively, the “Project”); and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9 -23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the "Local Bond Law"); and

WHEREAS, the Authority has made a detailed report dealing with the Project (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

WHEREAS, the Authority has adopted or will adopt one or more bond resolutions (collectively, the "Bond Resolution") providing for, among other things, the issuance of Obligations and the financing of the Project; and

WHEREAS, in order to provide inducement to the prospective purchasers of the Obligations to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, the City desires to provide for the guaranty of the Obligations to be issued by the Authority and for the execution of one or more guaranty agreements relating thereto; now, therefore,

NOW THEREFORE BE IT ORDAINED by the Mayor and City Council of the City of Hoboken, in the County of Hudson, New Jersey, as follows:

Section 1. Pursuant to and in accordance with the terms of the Act, the City is hereby authorized to and hereby shall guaranty the timely payment of the principal of and interest on any Obligations which are issued from time to time by the Authority, in an aggregate principal amount not exceeding \$52,000,000 outstanding at any time to be issued in respect of the Project, as described in the preamble hereof, on such terms and with such interest rates as shall be determined by the Authority in a manner which is consistent with the provisions of the Act. Upon endorsement of the Obligations referred to in Section 2 below, the City shall be unconditionally and irrevocably obligated to pay the principal of and interest on the Obligations in the same manner and to the same extent as bonds issued by the City and, accordingly, the City shall be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all the taxable property within the City for the payment thereof without limitation as to rate or amount when required under the provisions of applicable law. The full faith and credit of the City are hereby pledged for the full and punctual performance of said guaranty.

Section 2. The Mayor of the City shall, by manual or facsimile signature, execute on each of the Bonds, as appropriate, such guaranty by the City of the timely payment of the principal of and interest thereon. The guaranty shall be in substantially the following form:

"GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and

the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON,
NEW JERSEY

Mayor"

Section 3. It is hereby found, determined and declared by the City Council that:

(a) This ordinance may be adopted notwithstanding any statutory or other debt limitation, including particularly any limitation or requirement under or pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey, as amended, but the aggregate principal amount of the Obligations which shall be entitled to the benefits of the City's guaranty pursuant to the terms of this ordinance, being an amount not in excess of \$52,000,000, shall be reflected in the debt statements of the City in the manner provided in N.J.S.A. 40:11A-22 (2), which is incorporated by reference in N.J.S.A. 30:9-23.21(c).

(b) The principal amount of the Obligations which shall be entitled to the benefits of the City's guaranty pursuant to the terms of this ordinance and included in the gross debt of the City shall be deducted from such gross debt under and for all purposes of the Local Bond Law (a) from and after the date of the adoption of this ordinance and until the end of the fifth fiscal year beginning next thereafter and (b) in any annual debt statement filed pursuant to the Local Bond Law as of the end of said fifth fiscal year or any subsequent fiscal year if the City shall not have been required to make any payment in such fiscal year on account of the principal of or interest on any of the Obligations guaranteed pursuant to this ordinance, or as otherwise provided by law.

Section 4. The following matters are hereby determined, declared, recited and stated:

(a) The maximum estimated cost of the Project to be financed and refinanced and the maximum principal amount of the Obligations of the Authority outstanding at any time which are hereby and hereunder guaranteed as to payment of principal and interest is \$52,000,000.

(b) The purpose described in this ordinance is not a current expense of the City and no part of the cost thereof has been or shall be assessed on property specially benefitted thereby.

(c) A Supplemental Debt Statement of the City has been duly made and filed in the office of the City Clerk, and a complete duplicate thereof has been filed in the office of the Director of the Division of Local Government Services of the State of New Jersey, and such debt statement shows that while the gross debt of the City, as defined in the Local Bond Law, is increased by this ordinance by \$52,000,000, in accordance with the provisions of Local Bond Law, the net debt of the City is not increased, and the obligations of the City which are authorized by or incurred pursuant to the terms of this ordinance is permitted by an exception to the debt limitations of the Local Bond Law which exception is contained in N.J.S.A. 40:11A-22 (2), which is incorporated by reference in N.J.S.A. 30:9-23.21(c).

Section 5. All other items to be contained in a bond ordinance adopted pursuant to the Local Bond Law are hereby determined to be inapplicable to this guaranty of the Obligations.

Section 6. The Mayor is hereby authorized to execute and deliver (i) one or more guaranty agreements setting forth such matters with respect to the guaranty as such officer deems appropriate and not inconsistent with this guaranty ordinance and (ii) one or more continuing disclosure agreements or other instruments undertaking the secondary disclosure obligations of the City required by Rule 15c2-12 of the U.S. Securities and Exchange Commission. The guaranty agreement(s) shall also contain such terms as approved by the Local Finance Board consistent with the applicable provisions of the Act, the Local Bond Law and the Local Authorities Fiscal Control Law.

Section 7. This ordinance shall take effect at the time and in the manner provided in the Act.

CITY CLERK

MAYOR

NOTICE OF PENDING ORDINANCE

PUBLIC NOTICE IS HEREBY GIVEN that the foregoing ordinance was duly introduced and passed upon first reading at a regular meeting of the City Council of the City of Hoboken, in the County of Hudson, New Jersey held on November 1, 2006. Further notice is hereby given that said ordinance will be considered for final passage and adoption, after public hearing thereon, at a regular meeting of said City Council to be held in City Hall, Newark and Washington Streets, Hoboken, New Jersey on November 13, 2006 at ____ o'clock p.m., and during the week prior to and up to and including the date of such meeting, copies of said ordinance will be made available at the office of the City Clerk of the City of Hoboken, in the County of Hudson, New Jersey in City to the members of the general public who shall request the same.

City Clerk of the
City of Hoboken, in the County of Hudson,
New Jersey

NOTICE OF ADOPTION OF ORDINANCE

PUBLIC NOTICE IS HEREBY GIVEN that the ordinance published herewith has been finally adopted by the City Council of the City of Hoboken, in the County of Hudson, New Jersey on November 13, 2006 and the 20-day period of limitation within which a suit, action or proceeding questioning the validity of such ordinance can be commenced, as provided in the Local Bond Law, has begun to run from the date of the first publication of this notice.

City Clerk of the
City of Hoboken, in the County of Hudson,
New Jersey

CLERK'S CERTIFICATE

I, James J. Farina, City Clerk of the City Council of the City of Hoboken, in the County of Hudson, New Jersey, HEREBY CERTIFY as follows that:

1. The attached copy of Ordinance No. ____ of said City entitled as set forth below and finally adopted on November 13, 2006, has been compared by me with the original thereof officially recorded in the Ordinance Book of the City and is a true and correct copy thereof and of the whole of said original Ordinance. The title of said Ordinance is as follows:

**ORDINANCE OF THE CITY OF HOBOKEN, IN THE
COUNTY OF HUDSON, NEW JERSEY
AUTHORIZING THE GUARANTY BY THE CITY
OF HOBOKEN OF BONDS, NOTES OR OTHER
OBLIGATIONS OF THE HOBOKEN MUNICIPAL
HOSPITAL AUTHORITY, IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED
\$52,000,000 AND AUTHORIZING VARIOUS
AGREEMENTS AND RELATED MATTERS IN
CONNECTION THEREWITH**

2. Said Ordinance was introduced in writing and read and passed on first reading at a regular meeting of the City Council of the City of Hoboken, in the County of Hudson, New Jersey duly called and held on November 1, 2006 (a true and correct copy of an extract of the minutes of the meeting is attached hereto), and was passed on second reading and finally adopted by the recorded affirmative vote of at least two-thirds of all the members of said City Council, at a regular meeting thereof duly called and held on November 13, 2006 (a true and correct copy of an extract of the minutes of the meeting is attached hereto), following the holding of a public hearing thereon at which all interested persons were given an opportunity to be heard.

3. Said Ordinance was published after first reading, on November ____, 2006 together with the Notice of Pending Ordinance, containing the date of introduction, time and place of further consideration of said Ordinance (a true and correct copy of the affidavit of publication of said Ordinance is attached hereto).

4. On November __, 2006, said Ordinance was posted on the bulletin board in City Hall together with notice of the availability of copies of said Ordinance at the Office of the City Clerk of the City of Hoboken, in the County of Hudson, New Jersey, and such copies of said Ordinance were made available to all members of the general public requesting the same.

5. After final passage, said Ordinance was duly published, together with the Notice of Adoption of Ordinance, on November __, 2006 in the *Jersey Journal*, a newspaper published in the County of Hudson and circulating in the City (there being no newspaper published and circulating in the City), and no protest by any person against making the improvement or issuing the indebtedness authorized in said Ordinance, nor any petition requesting that a referendum vote be taken on the action proposed in the Ordinance has been presented to the governing body or to

me or filed in my office nor has any such action or proceeding questioning the validity of such Ordinance has been commenced within 20 days after such publication (a true and correct copy of the affidavit of publication of said Ordinance is attached hereto).

6. Said Ordinance when introduced was complete in the form in which it was finally adopted and remained on file in the Office of the City Clerk of the City of Hoboken, in the County of Hudson, New Jersey for public inspection from the date of introduction to the date of final adoption.

7. The attached copy of a Supplemental Debt Statement has been compared by me with the original Supplemental Debt Statement of said City, prepared as of November 1, 2006, and sworn to on November 1, 2006, by George DeStefano, who was then the Chief Financial Officer of said City, and filed in the office of said City Clerk of the City of Hoboken, in the County of Hudson, New Jersey on November 1, 2006, and that the same is a true and complete copy of said original Supplemental Debt Statement.

8. A complete, executed duplicate of the said original Supplemental Debt Statement was duly filed (before final adoption by the City Council) in the Office of the Director of the Division of Local Government Services of the State of New Jersey on November __, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Township this __ day of December, 2006.

(SEAL)

City Clerk of the
City of Hoboken, in the County of Hudson,
New Jersey

ATTACHMENTS

- A) Ordinance
- B) Extract of minutes of City Council meeting at which Ordinance was introduced
- C) Extract of minutes of City Council meeting at which Ordinance was finally adopted
- D) Affidavit of First Publication of Ordinance after introduction
- E) Affidavit of Second Publication of Ordinance after final adoption
- F) Supplemental Debt Statement

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GUARANTY AGREEMENT

By and Among the

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

and the

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

and

COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of February 1, 2007

Hoboken Municipal Hospital Authority

**\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2006A (Federally Taxable) (Convertible to Tax-Exempt)**

and

**\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2006B (Federally Taxable)**

THIS GUARANTY AGREEMENT (hereinafter the “Guaranty Agreement”), made and dated as of the 1st day of February, 2007, by and among the Hoboken Municipal Hospital Authority (hereinafter referred to as the “Authority”), a public body corporate and politic of the State of New Jersey, the City of Hoboken, in the County of Hudson, New Jersey (hereinafter referred to as the “City”), a municipal corporation of the State of New Jersey, and Commerce Bank, National Association, of Cherry Hill, New Jersey, as trustee (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Authority was created by ordinance of the City Council of the City, duly adopted August 9, 2006, as a public body corporate and politic of the State of New Jersey (the “State”) pursuant to the provisions of the Municipal Hospital Authority Law, constituting Chapter 30 of the Pamphlet Laws of 2006 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (the “Act”); and

WHEREAS, the City formed the Authority pursuant to the provisions of the Act to acquire certain assets relating to “St. Mary Hospital” (the “Hospital Facilities”) in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to operate them; and

WHEREAS, by a bond resolution entitled “RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO FINANCE CERTAIN COSTS IN CONNECTION WITH THE ACQUISITION OF CERTAIN ASSETS RELATING TO ST. MARY HOSPITAL, THE OPERATION THEREOF AND THE CONSTRUCTION OF CERTAIN IMPROVEMENTS THERETO, AND FURTHER AUTHORIZING THE EXECUTION OF A TRUST INDENTURE TO SECURE SAME” adopted by the Authority on January 3, 2007, as amended and supplemented by the hereinafter defined 2007 Series Resolution (collectively, the “Bond Resolution”), the Authority has heretofore determined to finance a project (the “Initial Project”), consisting of: (A) various capital improvements and the acquisition of fixed and major moveable equipment for hospital facilities located at 308 Willow Avenue, Hoboken, New Jersey (the “Hospital”), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square foot emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) acquisition of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey, to be used as a clinic, physician offices and training facility, (C) acquisition of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey, to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (D) construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used for hospital office facilities, (E) capitalized interest for the Initial Bonds (as defined in the hereinafter-defined Indenture), (F) initial start-up working capital and reserves for operation of

the Hospital, (G) a deposit to a debt service reserve fund for the Initial Bonds, and (H) costs of issuing the Initial Bonds; and

WHEREAS, the Authority and the Trustee have heretofore entered into an Indenture of Trust dated as of February 1, 2007 (the “Indenture”) providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time, including specifically the Initial Bonds; and

WHEREAS, by resolution adopted by the Authority on January 24, 2007 (the “2007 Series Resolution”) and a First Supplemental Indenture dated as of February 1, 2007 between the Authority and the Trustee (the “First Supplemental Indenture”), the Authority has determined to finance the costs of the Initial Project through the issuance of \$_____ aggregate principal amount of its City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax-Exempt) (the “2007A Bonds”) and \$_____ aggregate principal amount of its City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the “2007B Bonds” and, collectively with the 2007A Bonds, the “2007 Bonds”), which 2007 Bonds constitute the “Initial Bonds” described in the Indenture; and

WHEREAS, the 2007 Bonds will be parity Bonds under the Indenture and, as such, they will be equally secured (except as otherwise provided herein and in the Indenture), together with all other “Bonds” issued thereunder, by the “Trust Estate”, including without limitation the “Revenues” of the Authority; and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the “Local Bond Law”); and

WHEREAS, the Authority has made a detailed report dealing with the Initial Project and the 2007 Bonds (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

WHEREAS, in order to provide inducement to the prospective purchasers of the 2007 Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, on January 3, 2007 the City has finally adopted an ordinance (the “Guaranty Ordinance”) providing for the unconditional guaranty by the City of the payment when due of the principal of and interest on the 2007 Bonds; and

WHEREAS, the scheduled payments of principal of (including sinking fund installments, if any) and interest on the 2007 Bonds when due will also be insured by Financial Security Assurance Inc., together with its successors and assigns (the “Bond Insurer”) in accordance with the terms of separate new issue municipal bond insurance policies (collectively, the “Bond Insurance Policy”); and

WHEREAS, in order to provide inducement to the prospective purchasers of the 2007 Bonds to purchase same and to the Bond Insurer to issue the Bond Insurance Policy in respect of same, and in order to provide additional security to the holders of the 2007 Bonds, the City now desires to provide for the guaranty of the 2007 Bonds in accordance with terms of the Act, the Local Bond Law and the Guaranty Ordinance; and

WHEREAS, the Authority, the City and the Trustee now desire to enter into this Guaranty Agreement in order to implement the application of said Guaranty Ordinance to the benefit of the 2007 Bonds;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Authority, the City and the Trustee, each binding itself and its successors and assigns, do mutually covenant, promise and agree as follows:

Section 1. Pursuant to the provisions of the Act, Local Bond Law and the Guaranty Ordinance, the City hereby agrees to unconditionally guarantee the punctual payment of the principal of the 2007A Bonds in the principal amount of \$_____ and the 2007B Bonds in the principal amount of \$_____ (which combined principal amount does not exceed the \$52,000,000 principal amount limitation contained in the Guaranty Ordinance) together with all accrued interest thereon. The full faith and credit of the City are hereby pledged for the full and punctual performance of this guaranty (the "City Guaranty").

Section 2. The Mayor shall execute on each of the 2007 Bonds a certificate evidencing the guarantee of the punctual payment of the principal thereof and the interest thereon, such City Guaranty to be in substantially the following form:

“GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF
HUDSON, NEW JERSEY

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF
HUDSON, NEW JERSEY

Mayor”

Section 3. The Authority agrees to apply the proceeds derived from the sale of the 2007 Bonds toward the Initial Project, in the manner provided in the Indenture and the First Supplemental Indenture.

Section 4. The Authority will keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the 2007 Bonds and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection.

Section 5. Within ten (10) days after the date of issuance of the 2007 Bonds, the Authority shall notify the City in writing (by letter addressed to the Mayor) of the date of issuance, the maturity dates, the interest rate or rates and the paying agent on such 2007 Bonds, provided that failure to give such notice shall not affect the validity of this Guaranty.

Section 6. (a) In addition to the notices described in Section 7 hereof, the Trustee shall, (i) no later than the third (3rd) Business Day of each Accounting Period (as such terms are defined in the Indenture), give written notice to the City and the Authority of the amount, if any, by which the Revenues available for application were insufficient to satisfy in full the deposit requirements contained in clauses First and Second of Section 504 of the Indenture, and (ii) within one Business Day after each Payment Date (as such term is defined in the Indenture), give written notice to the City and the Authority of the amount(s) (other than investment earnings, if any), if any, which were transferred to (x) the several accounts within the Debt Service Fund on such Payment Date from each of the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund pursuant to Sections 507, 509 and/or 508, as applicable, of the Indenture, and/or (y) the Operating Fund during the preceding Accounting Period from the Operating Reserve Fund pursuant to Section 508 of the Indenture.

(b) Within ten (10) days following receipt of any notice pursuant to paragraph (a) above, the Authority shall provide to the City and the Trustee written estimates of (i) the projected amounts required to be deposited pursuant to clauses First and Second of Section 504 of the Indenture for each of the next six (6) succeeding Accounting Periods and (ii) the projected amount of Revenues expected to be available to the Authority in respect of the next six (6) succeeding Accounting Periods. If for any such Accounting Period the amount in clause (i) shall exceed the amount in clause (ii), the Authority shall provide, together with such written estimates, a summary of the steps the Authority intends to take to address such deficiency, including (x) any projected recourse to the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund, (y) any steps the Authority intends to take in order to increase the collection of Revenues and/or decrease the amount of Operating Expenses (as such term is defined in the Indenture) and (z) any projected recourse to the City Guaranty.

(c) In the event any notice from the Authority described in paragraph (b) above indicates that, following any projected recourse to the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund (and disregarding for this purpose any curative steps the Authority may intend to take pursuant to clause (y) of paragraph (b) above), there still is projected a deficiency in the amount required to be deposited pursuant to clause First of Section 504 of the Indenture as to any of such ensuing six (6) Accounting Periods, then, within ten (10) days following receipt of such notice, the City shall provide written notice to the Authority and the Trustee of the steps the City intends to take in order to implement the provisions of Section 7 hereof.

Section 7. Pursuant to the terms of the Indenture, the Authority has covenanted to punctually pay the principal of, redemption premium, if any, and interest on the 2007 Bonds as the same become due and payable.

If, sixty (60) days prior to any date established for the payment of the principal of and/or interest on the 2007 Bonds, the written notices described in Section 6(c) hereof indicate an anticipated need to draw upon the City Guaranty in order to provide for the full payment of the interest and/or principal which is due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt requested) of the amounts which are necessary to provide for the payment of the principal of and interest on the 2007 Bonds. The City shall be obligated to make payment to the Trustee of the amounts referred to above no later than three (3) Business Days prior to said payment date except to the extent the applicable account(s) within the Debt Service Fund otherwise have sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Debt Service Fund. Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision of this Guaranty Agreement, failure by the Trustee to give the City notice as provided herein shall not relieve the City of its obligations to make payment under the terms of the City Guaranty.

Section 8. When notice has been provided, as described above, the City shall take all necessary actions to make payment to the Trustee of an amount which, when added to the amounts which are on deposit in the funds and accounts established and created under the Indenture, is sufficient to pay the principal of and interest on any 2007 Bonds. Such actions shall include the adoption of an emergency appropriation or an emergency temporary appropriation and the funding of such appropriation in accordance with the requirements of the Local Budget Law, the levy of unlimited ad valorem taxes or any other actions that are legally permitted to be taken to meet the requirements of such City Guaranty (including the adoption of a bond ordinance pursuant to the provisions of the Local Bond Law).

Section 9. The Authority hereby covenants to the City that in the event the City Guaranty is called upon, the Authority shall be obligated and will take all actions within its power (in accordance with the terms of the Act and Local Bond Law), so as to enable the Authority to reimburse the City for any and all amounts which have been paid by the City pursuant to the terms of this Guaranty Agreement, at the earliest practicable date; provided however, that such obligation shall be on a basis subordinate to its obligation to make payment on the 2007 Bonds. The Authority hereby acknowledges that its obligation under this Section 9 to reimburse the City for all advances made by the City pursuant to the City Guaranty shall be valid notwithstanding any bankruptcy or insolvency of the Authority, and that the City's right to reimbursement as aforesaid shall be payable under and secured by the terms of the Indenture, as and to the extent provided therein.

Section 10. The Authority hereby covenants to the City that it shall comply with each of the covenants contained in Article VI of the Indenture. In the event the Authority shall hereafter sell or otherwise transfer all or a portion of the Hospital (or related facilities), the Authority hereby covenants that (i) any such sale or transfer shall be in accordance with the requirements of the Indenture, the First Supplemental Indenture and the Asset Transfer

Agreement relating to the acquisition of the Hospital by the Authority from Bon Secours Health System, Inc. and (ii) as and to the extent provided thereunder, all or a portion of the proceeds of any such sale or transfer shall be used by the Authority to reimburse the City for amounts payable to the City under Section 9 hereof, and for such purpose the City shall have an express lien on the proceeds payable to the Authority from any such sale or transfer, to the extent of such entitlement.

Section 11. The Authority shall provide, or cause to be provided, to the City, from time to time and upon reasonable notice, such information and reports as the City may request, including (without limitation) reports as to the operations of the Hospital and the financial condition of the Authority and any manager(s) retained by the Authority to operate the Hospital.

Section 12. The obligations of the City under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of and interest on the 2007 Bonds shall have been paid or defeased in accordance with the provisions of the Indenture and the First Supplemental Indenture. The obligations of the City hereunder shall not be affected, modified or impaired upon the occurrence from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of, the City:

(a) The waiver, compromise, settlement, release, invalidity or termination of any or all of the obligations, covenants or agreements of the Authority which are contained in the Indenture, the First Supplemental Indenture, the 2007 Bonds, or any other agreement which is executed and delivered for or with respect to the 2007 Bonds (collectively, the “Financing Documents”), or of the payment, performance or observance thereof;

(b) The failure to give notice to the City of the occurrence of an event of default, or any other notice, under the provisions of this Guaranty Agreement;

(c) The transfer, sale, assignment or mortgaging or the purported transfer, sale, assignment or mortgaging of all or any part of the interest or security interest of the Authority in the Revenues, the Hospital or any other Hospital Facilities;

(d) The extension of the time for payment of the principal of or interest on the 2007 Bonds or of the time for performance of any obligations, covenants or agreements under or arising out of the Financing Documents;

(e) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Financing Documents;

(f) The taking, suffering or the omission of any of the actions referred to in the Financing Documents or of any actions under this Guaranty Agreement;

(g) Any failure, omission, delay or lack on the part of the Authority to enforce, assert or exercise any right, power or remedy conferred on the Authority

in this Guaranty Agreement, the Financing Documents or any other act or acts on the part of the Authority or any of the holders from time to time of the 2007 Bonds;

(h) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Authority or any party to the Financing Documents or any of the assets of any of them, or any allegation or contest of the validity of the City Guaranty, this Guaranty Agreement or any of the Financing Documents;

(i) To the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the City from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement;

(j) The default or failure of the City fully to perform any of its obligations set forth in this Guaranty Agreement;

(k) The destruction, non-use or non-availability of the Hospital or any of the other Hospital Facilities; or

(l) Payments by the Bond Insurer under the Bond Insurance Policy.

Section 13. No set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the City of its obligations hereunder) which the City has or may have against the Authority, or against any holder of the 2007 Bonds, shall be available to the City hereunder against the Authority or anyone succeeding to the Authority's interest. The City agrees that this is a guaranty of payment, and not of collection.

Section 14. The City further guarantees that all payments made with respect to the 2007 Bonds will, when made, be final, and agrees that if such payment is recovered from or repaid by or on behalf of the Authority or the holders of the 2007 Bonds in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Authority, the City Guaranty shall continue to be fully applicable to such liabilities to the same extent as though the payment so recovered or repaid had never been originally made on such liabilities.

Section 15. The City agrees to provide, or cause to be provided to the Authority and the Trustee, the City's annual audited financial statements upon their availability for the Authority's use in complying with any requirements of any continuing disclosure undertaking or applicable law relating to continuing disclosure.

Section 16. In the event of a default in payment of the principal of or interest on the 2007 Bonds when and as the same shall become due, whether at the stated maturity thereof or

otherwise, the Authority or any party to whom the Authority's rights have been assigned, including the Trustee, may proceed to enforce its rights hereunder and may proceed first and directly against the City under the terms of this Guaranty Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Authority. All moneys recovered pursuant to this Guaranty Agreement shall be applied as follows, unless otherwise directed by the provisions of the Financing Documents: to the extent amounts paid under the City Guaranty are not immediately used to pay debt service on the 2007 Bonds, such amount shall be deposited into the applicable account(s) within the Debt Service Fund pending such application (or, if amounts shall have theretofore been withdrawn from an applicable account within the Debt Service Reserve Fund for the payment of debt service on the 2007 Bond, such amounts may, at the direction of the Authority, instead be deposited into the applicable account(s) within the Debt Service Reserve Fund. Subject to the provisions of any agreement between the Authority and any other person or entity, in the event that the City, pursuant to the City Guaranty, has paid the full amount of the outstanding principal of and interest on the 2007 Bonds (such that no 2007 Bonds shall remain Outstanding under the Indenture), the City, in addition to its right to reimbursement from the Authority in accordance with Section 9 hereof, shall, at its sole option, be entitled to – but shall under no circumstances be required to – assume control of the Hospital and the other Hospital Facilities and to take all actions that the Authority is required or permitted to take under and pursuant to the Indenture.

Section 17. This Guaranty Agreement shall terminate after the indefeasible payment in full of the principal of and interest on the Bonds and Notes has been made, or provision for the payment of same has been made in accordance with the terms of the Indenture, subject to reinstatement as provided in Section 14 hereof.

Section 18. This Guaranty Agreement may be executed in any number of counterparts, each of which shall be executed by the Authority and by the City and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

Section 19. The City hereby acknowledges and consents to the irrevocable assignment of the City Guaranty by the Authority to the Trustee for the benefit of the holders of the 2007 Bonds, as and to the extent provided in the Indenture and the First Supplemental Indenture. Other than as provided herein, this Guaranty shall not be assigned by the City without the prior consent of the Bond Insurer and any assignment in contravention hereof shall be void.

Section 20. For so long as any 2007 Bonds remain outstanding and unpaid, this Guaranty Agreement shall not be amended or supplemented without the prior written consent of Bond Insurer, as issuer of the Bond Insurance Policy additionally securing the 2007 Bonds.

Section 21. The Bond Insurer shall be a third party beneficiary hereof. The City hereby agrees that: (i) all payments to be made hereunder in connection with the 2007 Bonds shall be made no later than three (3) Business Days prior to the payment date on the 2007 Bonds, (ii) the City shall not be entitled to the benefit of the Bond Insurance Policy and (iii) notwithstanding any payment on the 2007 Bonds from a draw on the Bond Insurance Policy, the 2007 Bonds shall be deemed to remain unpaid and outstanding for all purposes hereof.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their respective officers thereunto duly authorized, their respective seals to be hereunto affixed and attested, and this Guaranty Agreement to be dated as of the date and the year first above written.

ATTEST:

**HOBOKEN MUNICIPAL HOSPITAL
AUTHORITY**

Secretary

By: _____
Executive Director

[SEAL]

ATTEST:

**CITY OF HOBOKEN, IN THE
COUNTY OF HUDSON, STATE OF
NEW JERSEY**

City Clerk

By: _____
Mayor

[SEAL]

ATTEST:

**COMMERCE BANK, NATIONAL
ASSOCIATION, as Trustee**

[SEAL]

By: _____
Authorized Signature

APPENDIX E

SPECIMEN BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 Financial Security 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 Financial Security 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.

Financial Security 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 Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security 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 Financial Security, 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

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*Assuming no change in facts or law,
an opinion in substantially the following form
will be delivered at closing*

[LETTERHEAD OF GLUCKWALRATH LLP]

[February __, 2007]

Hoboken Municipal Hospital Authority
308 Willow Street
Hoboken, New Jersey

Re: Hoboken Municipal Hospital Authority
\$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A
(Federally Taxable) (Convertible to Tax-Exempt)
\$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B
(Federally Taxable)

We have acted as Bond Counsel in connection with the issuance by the Hoboken Municipal Hospital Authority (the "Authority") of its City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax-Exempt) in the aggregate principal amount of \$40,465,000 (the "Series 2007A Bonds") and its City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) in the aggregate principal amount of \$11,170,000 (the "Series 2007B Bonds", and collectively with the Series 2007A Bonds, the "Bonds"). The Bonds are issued under the provisions of the Municipal Hospital Authority Law, N.J.S.A. 30:9-23.15 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution of the Authority adopted on January 3, 2007 entitled "Resolution of the Hoboken Municipal Hospital Authority Authorizing the Issuance of Bonds, Notes or Other Obligations of the Authority to Finance Certain Costs in Connection with the Acquisition of Certain Assets Relating to St. Mary Hospital, the Operation Thereof and the Construction of Certain Improvements Thereto, and Further Authorizing the Execution of a Trust Indenture to Secure Same", as amended and supplemented by a resolution of the Authority adopted on January 24, 2007 (collectively, the "Resolution"), and a Trust Indenture, dated as of February 1, 2007, as supplemented by a First Supplemental Indenture, dated as of February 1, 2007 (collectively, the "Indenture"), each between the Authority and Commerce Bank, National Association, as trustee (the "Trustee").

Capitalized terms used in this opinion and not otherwise defined herein shall have the same meanings as are set forth in the Indenture.

The Bonds are direct and special obligations of the Authority, payable from the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate, as provided in the Indenture.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds of each series maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York, which

Hoboken Municipal Hospital Authority
 February __, 2007
 Page 2

will act as securities depository for the Bonds. The Bonds shall be dated their date of delivery and mature on July 1 in the amounts in each of the years as set forth below.

Series 2007A Bonds

The Series 2007A Bonds, shall bear interest (i) from their date of delivery to the Conversion Date (as defined below) or January 1, 2008 (the “First Reset Date”), at the “Initial Taxable Rate” of 5.75% (ii) from the First Reset Date to the earlier of the Conversion Date or January 1, 2009 (the “Second Reset Date”), at the respective “2008 Reset Rates” set forth below, (iii) from the Second Reset Date to the earlier of the Conversion Date or January 1, 2010 (the “Third Reset Date”), at the respective “2009 Reset Rates” set forth below, and (iv) from the Third Reset Date to maturity, at the respective “2010 Reset Rates” payable on July 1 and January 1 of each year, commencing July 1, 2007, as set forth in the table below:

Maturity Year	Principal Amount	Tax- Exempt Interest Rates Upon Conversion	2008 Reset Rate	2009 Reset Rate	2010 Reset Rate
2010	\$1,850,000	3.90%	6.00%	6.09%	6.190%
2011	1,920,000	3.80	5.85	5.94	6.032
2012	1,995,000	3.85	5.92	6.02	6.111
2013	2,070,000	3.90	6.00	6.09	6.190
2014	2,155,000	3.95	6.08	6.17	6.270
2015	2,240,000	4.00	6.15	6.25	6.349
2016	2,325,000	4.05	6.23	6.33	6.429
2017	2,420,000	4.10	6.31	6.41	6.508
2018	2,520,000	4.15	6.38	6.48	6.587
2019	2,625,000	4.25	6.54	6.64	6.746
2020	2,735,000	4.35	6.69	6.80	6.905
2021	2,855,000	4.45	6.85	6.95	7.063
2022	2,980,000	4.50	6.92	7.03	7.143
2023	3,115,000	4.50	6.92	7.03	7.143
2024	3,255,000	4.55	7.00	7.11	7.222
2025	3,405,000	4.60	7.08	7.19	7.302

If certain conditions precedent are met, interest on the Series 2007A Bonds will convert (the “Conversion”) to the Tax-Exempt Rates set forth in the table above, after which interest would be excludable from gross income for Federal income tax purposes. A separate tax opinion is required to be rendered if and when the Conversion occurs.

Hoboken Municipal Hospital Authority

February __, 2007

Page 3

If the Series 2007A Bonds are not converted by January 1, 2010, the Series 2007A Bonds will bear interest at the 2010 Reset Rates until maturity.

Series 2007B Bonds

The Series 2007B Bonds shall bear interest at the rates, payable on July 1 and January 1 of each year, commencing July 1, 2007, set forth in the table below:

<u>Maturity</u> <u>July 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2008	\$2,300,000	5.410%
2009	2,850,000	5.440
2026	6,020,000	5.816

The Bonds are subject to redemption prior to maturity as provided in the Indenture.

Payment of the principal of and interest (but not redemption premium, if any) on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. at the time the Bonds are executed and delivered upon original issuance.

The Bonds are issued for the purpose of providing funds, together with other available funds of the Authority, to finance: (A) various capital improvements and the acquisition of fixed and major moveable equipment for hospital facilities located at 308 Willow Street, Hoboken, New Jersey (the "Hospital"), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square foot emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) acquisition of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey, to be used as a clinic, physician offices and training facility, (C) acquisition of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey, to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (D) construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used for hospital office facilities, (E) capitalized interest for the Bonds, (F) initial start-up working capital and reserves for operation of the Hospital, (G) a deposit to a debt service reserve fund for the Bonds, and (H) costs of issuing the Bonds (collectively the "Initial Project").

Hoboken Municipal Hospital Authority

February __, 2007

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We have reviewed a record of proceedings of the City of Hoboken, in the County of Hudson (the “City”) in connection with the adoption of an ordinance by the City, finally adopted January 3, 2007, entitled, “An Ordinance of the City of Hoboken, in the County of Hudson, New Jersey Authorizing the Guaranty by the City of Hoboken, in the County of Hudson, New Jersey, Securing Payment of the Principal of and Interest on Certain Bonds, Notes or Other Obligations of The Hoboken Municipal Hospital Authority, in an Aggregate Principal Amount Not to Exceed \$52,000,000 and Authorizing Related Matters in Connection Therewith” (the “Guaranty Ordinance”). The Guaranty Ordinance has been provided by the City for the purpose of securing the timely payment of the principal of and interest on certain obligations issued by the Authority, including the Bonds.

We have also reviewed the Guaranty Agreement, dated as of February 1, 2007, by and among the Authority, the City and the Trustee (the “Guaranty Agreement”), which governs the terms and conditions pursuant to which the City will make payments required to be made under the terms of the Guaranty Ordinance in respect of the Bonds (the “City Guaranty”). Reference should be made to the Guaranty Agreement for a full and complete description of its provisions.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) certified copies of the Resolution, the Indenture, the Guaranty Ordinance, the Guaranty Agreement, and such other statutes, resolutions, certificates and records of the Authority and the City as we have considered to be necessary in order to enable us to express the opinions which are hereinafter set forth; (b) such matters of law, including, inter alia, the Act and the Internal Revenue Code of 1986, as amended (the “Code”); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, documents and legal opinions as to various matters listed in the closing memorandum prepared with respect to the issuance of the Bonds. As to matters of fact, we have relied upon the representations of the Authority and the City, and, where we have deemed appropriate, representations or certifications of public officials. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

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

1. The Authority is a public body politic and corporate, duly and validly organized and existing under the Act and authorized to undertake the Initial Project, to adopt the Resolution, to execute and deliver the Indenture and to issue and deliver the Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority and is in full force and effect on the date hereof. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the covenants of the Authority therein are valid and binding obligations of the Authority enforceable in accordance with their respective terms.

Hoboken Municipal Hospital Authority
February __, 2007
Page 5

3. The Bonds have been duly authorized, issued, executed and sold by the Authority, and are legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms.

4. The City had and has the power and the authority to adopt the Guaranty Ordinance, and the Guaranty Ordinance has in all respects been duly authorized and published as required by law, creates a valid and legally binding obligation of the City and is enforceable in accordance with its terms. The City is obligated to make any required payment under the terms of the City Guaranty out of the first funds becoming legally available to the City for this purpose, and to provide the funds for such payments, if not otherwise available, from the levy of ad valorem taxes upon all the taxable real property in the City without limitation as to rate or amount. The Bonds are entitled to the benefits of the City Guaranty and any moneys which are required to be paid to the Trustee by the City with respect to the Bonds under the terms of the City Guaranty have been pledged to secure the payment of the principal of and interest on the Bonds. The City Guaranty will remain in full force and effect for as long as the Bonds remain Outstanding under the Indenture.

5. The Authority and the City have the power and the Authority to execute and deliver the Guaranty Agreement, and the Guaranty Agreement has in all respects been duly authorized, executed and delivered by the Authority and the City and constitutes a legal, valid and binding obligation of the Authority and the City, and is enforceable in accordance with its terms.

6. INTEREST ON THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND INTEREST ON THE SERIES 2007B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

7. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof are excludable from New Jersey gross income under the New Jersey Gross Income Tax Act.

IRS CIRCULAR 230 DISCLAIMER REGARDING THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND THE SERIES 2007B BONDS: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE SERIES 2007A BONDS (PRIOR TO CONVERSION) AND THE SERIES 2007B BONDS ARE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government

Hoboken Municipal Hospital Authority

February __, 2007

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affecting the enforcement of creditors' rights, and by equitable principles, and the phrases "enforceable in accordance with their respective terms" and "enforceable in accordance with its terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 6 and 7 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

We call your attention to the fact that the obligations of the Authority under the Bonds do not create any indebtedness of or pledge the credit or the taxing power of the State of New Jersey or of any local unit or of any county or municipality (other than the City, to the extent provided in the City Guaranty) and do not and shall not create or constitute any indebtedness, liability or obligation of the State of New Jersey or of any local unit or of any county or municipality (other than the City, to the extent provided in the City Guaranty), either legal, moral or otherwise.

GLUCKWALRATH LLP

APPENDIX G
FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

among the

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

and the

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

and

COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee and Dissemination Agent

Dated as of February 1, 2007

With respect to the Authority's

**\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007A (Federally Taxable) (Convertible to Tax-Exempt)**

and

**\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007B (Federally Taxable)**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) is made and entered into as of February 1, 2007 by and among the **CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY** (the “City”), a municipal corporation duly created and validly existing under the laws of the State of New Jersey (the “State”), the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**, a public body corporate and politic duly created and validly existing under the laws of the State (the “Authority”), and Commerce Bank, National Association, a banking corporation authorized to do business under the laws of the State, as Trustee (the “Trustee”) for the \$_____ City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax-Exempt) (the “2007A Bonds”) and the \$_____ City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the “2007B Bonds” and, collectively with the 2007A Bonds, the “Bonds”) and as the initial Dissemination Agent (as such term is defined herein) for the Authority hereunder.

WITNESSETH

WHEREAS, on November 10, 1994, the United States Securities and Exchange Commission (the “Commission”) adopted its Release Number 34-34961, which amended Rule 15c2-12 (as hereinafter defined) originally adopted by the Commission on June 28, 1989; and

WHEREAS, Rule 15c2-12 provides that it is unlawful for any broker, dealer or municipal securities dealer (hereinafter, a “Participating Underwriter”) to act as an underwriter for the Bonds unless the Participating Underwriter complies with the requirements of Rule 15c2-12 or is exempted from its provisions; and

WHEREAS, Rule 15c2-12 requires, among other things, that a Participating Underwriter shall not purchase or sell the Bonds unless the Participating Underwriter has reasonably determined that an “obligated person” (within the meaning of Rule 15c2-12) has undertaken, in a written agreement for the benefit of the Bondholders (as hereinafter defined), to provide certain information relating to such “obligated person”; and

WHEREAS, the Authority has determined that each of the Authority and the City is or will be an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 and each is therefore required to cause the delivery of the information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

WHEREAS, the City, the Authority and the Dissemination Agent are entering into this Agreement for the benefit of the Bondholders;

NOW, THEREFORE, in consideration of the premises and certain other consideration, the sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

Section 1.1. Certain Definitions. The following terms shall have the respective meanings ascribed to such terms in the preambles hereof:

Agreement
Authority
Bonds
City
Commission
Participating Underwriter
State
Trustee
2007A Bonds
2007B Bonds

Section 1.2. Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually with respect to each of the City and the Authority.

“Authority Fiscal Year” means the fiscal year of the Authority as determined by the Authority from time to time pursuant to State law. As of the date of this Agreement, the Fiscal Year of the Authority begins on January 1 of each calendar year and closes on the following December 31.

“Authority Operating Data” means certain financial and statistical information of the Authority which for purposes of this Agreement shall include the financial and statistical information in the form as attached hereto as Exhibit A, which includes, but is not limited to, hospital utilization data, source of patient revenues and financial performance data including its balance sheet, income statement and cash flows.

“Bondholder” or “Holder” or any similar term, when used with reference to the Bonds, means any person who shall be the registered owner of any outstanding Bonds, including holders of beneficial interests in the Bonds.

“Bond Disclosure Event” means any event described in subsection 2.6(a) of this Agreement.

“Bond Disclosure Event Notice” means the notice to each National Repository or the MSRB and the State Repository, if any, as provided in subsection 2.6(b) of this Agreement.

“Central Post Office” means, in accordance with the SEC Interpretive Letter dated September 7, 2004 (the “Interpretive Letter”) regarding www.DisclosureUSA.org – Texas MAC’s Central Post Office, DisclosureUSA, an internet based filing system where issuers of tax-exempt bonds and other filers can upload for immediate transmission to the Repositories information and notices required to be filed with the Repositories pursuant to continuing disclosure undertakings designed to assist underwriters in complying with Rule 15c2-12.

“City Fiscal Year” means the fiscal year of the City as determined by the City from time to time pursuant to State law. As of the date of this Agreement, the Fiscal Year of the City begins on July 1 of each calendar year and closes on the following June 30.

“City Operating Data” means certain financial and statistical information of the City, which for purposes of this Agreement shall include the financial and statistical information contained in Appendix B to the Final Official Statement, a copy of which is attached hereto as Exhibit B.

“Dissemination Agent” means an entity or entities acting in the capacity of Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by either the City or the Authority, as the case may be, and which has filed a written acceptance of such designation. The initial Dissemination Agent for the Authority shall be the Trustee.

“Final Official Statement” means the Authority’s official statement, dated January __, 2007, relating to the Bonds.

“Financial Statements” means the audited financial statements of the City for each City Fiscal Year or the audited financial statements of the Authority for each Fiscal Year, as the case may be, and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental auditing standards and mandated State statutory principles applicable to the City or the Authority, as the case may be, as may be in effect from time to time.

“Indenture” means the Indenture of Trust dated as of February 1, 2007, as amended and supplemented by the First Supplemental Indenture dated as of February 1, 2007, each between the Authority and the Trustee, pursuant to which the Bonds are being issued by the Authority.

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of this Agreement is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“National Repository” means a “nationally recognized municipal securities information repository” within the meaning of Rule 15c2-12. As of the date of this Agreement, the National Repositories designated by the SEC in accordance with Rule 15c2-12 are:

- (a) **Bloomberg Municipal Repository**
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Facsimile: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com
- (b) **DPC Data Inc.**
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Facsimile: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com
- (c) **FT Interactive Data**
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; (800) 689-8466
Facsimile: (212) 771-7390
<http://www.ftid.com>
Email: NRMSIR@FTID.com
- (d) **Standard & Poor’s Securities Evaluations, Inc.**
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Facsimile: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com>
Email: nrmsir_repository@sandp.com

“Repository” means each National Repository and each State Repository, if any.

“State Repository” means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12. As of the date of this Agreement, there is no State Repository.

Section 1.3. Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing

the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Agreement. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Agreement, refer to this Agreement as a whole unless otherwise expressly stated.

The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE 2

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1. Continuing Disclosure Covenants.

(a) The City agrees that it will provide, or, if the City has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

(1) Not later than one hundred eighty (180) days after the end of each City Fiscal Year, commencing with the City Fiscal Year ending June 30, 2007, an Annual Report to each Repository and to the Authority; provided that the Financial Statements of the City may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the City are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report;

(2) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a)(1), a copy of the Annual Report, complete to the extent required in Section 2.1(a)(1), to the Trustee and the Dissemination Agent, if the City has appointed or engaged a Dissemination Agent; and

(3) Promptly upon availability thereof, the Financial Statements for the City Fiscal Year which ended June 30, 2006.

(b) The Authority agrees that it will provide, or, if the Authority has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

(1) Not later than one hundred eighty (180) days after the end of each Authority Fiscal Year, commencing with Authority Fiscal Year ending December 31, 2007, its Annual Report to each Repository; provided, that the Financial Statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the Authority are not available by that date, but only if the unaudited financial statements of the Authority are included in the Annual Report ; and

(2) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(b)(1), a copy of the Annual Report, complete to the extent required in Section 2.1(b)(1), to the Trustee and the Dissemination Agent, if the Authority has appointed or engaged a Dissemination Agent.

Section 2.2. Continuing Disclosure Representations of the City and the Authority. The City and the Authority each represent and warrant that:

(a) Each of their Financial Statements shall be prepared according to the audit

requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and Government Auditing standards issued by the Comptroller General of the United States.

(b) Each of their Financial Statements shall be audited by an independent certified public accountant or a registered municipal accountant or such other accountant as shall be permitted or required under State law in accordance with GAAS.

Section 2.3. Forms of Annual Reports.

(a) (1) The City's Annual Report may be submitted by the City, or on behalf thereof, as a single document or as separate documents comprising a package.

(2) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the City or related public entities thereof which have been submitted to each of the Repositories or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

(3) The Annual Report for any City Fiscal Year containing any modified City Operating Data or financial information (as contemplated by Sections 4.9 and 4.10 hereof) for such City Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such City Fiscal Year.

(b) (1) The Authority's Annual Report may be submitted by the Authority, or on behalf thereof, as a single document or as separate documents comprising a package.

(2) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the Authority or related public entities thereof which have been submitted to each of the Repositories or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

(3) The Annual Report for any Authority Fiscal Year containing any modified Authority Operating Data or financial information (as contemplated by Sections 4.9 and 4.10 hereof) for such Authority Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Authority Fiscal Year.

Section 2.4. Responsibilities and Duties of the Authority, the City, the Dissemination Agent and the Trustee.

(a) If fifteen (15) days prior to the dates specified in subsection 2.1(a) and 2.1(b), respectively, the Trustee has not received a copy of the respective Annual Report, complete to the extent required in Section 2.1(a) and 2.1(b), the Trustee shall notify the City or the Authority, as the case may be, in writing to provide notice of the City's or the Authority's, as the case may be, obligations pursuant to Sections 2.1(a), 2.1(b) and/or 2.4(c)(ii) hereof.

(b) If the Trustee, by the date specified in subsection 2.1(a) or 2.1(b) herein, as the case may be, has not received a written report from the City or from the Authority, as the case may be, as required by Section 2.4(c)(ii) hereof, indicating that an Annual Report, complete to the extent required in Sections 2.1(a) or 2.1(b) as the case may be, has been provided to the Repositories and to the Authority, if applicable, by the date specified in subsection 2.1(a) or 2.1(b), the Trustee shall send a notice to each National Repository or the MSRB and the State Repository, if any, in substantially the forms attached hereto as Exhibit C-1 or Exhibit C-2, as the case may be, together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof, with a copy thereof to the Authority and the City.

(c) The City shall, or, if the City has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) by the date specified in subsection 2.1(a) herein, provide a written report to the Authority and the Trustee (and, if a Dissemination Agent has been appointed, to the Dissemination Agent), upon which said parties may rely, certifying that the Annual Report, complete to the extent required in Section 2.1(a), has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) If the City Fiscal Year changes, the City shall promptly notify the Authority and the Trustee, and shall disclose such change in its next Annual Report.

(e) The Authority shall, or, if the Authority has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) by the date specified in subsection 2.1(b) herein, provide a written report to Trustee (and, if a Dissemination Agent has been appointed, to the Dissemination Agent), upon which said parties may rely, certifying that the Annual Report, complete to the extent required in Section 2.1(B), has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(f) If the Authority Fiscal Year changes, the Authority shall promptly notify the Trustee, and shall disclose such change in its next Annual Report.

Section 2.5. Appointment, Removal and Resignation of the Dissemination Agent.

(a) The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement and shall provide notice of such appointment to the Trustee and the Authority. Thereafter, the City may discharge any such Dissemination Agent and satisfy its obligations under this Agreement without the assistance of a Dissemination Agent, or the City may discharge a Dissemination Agent and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent. The City shall provide notice of the discharge of a Dissemination Agent to the Trustee and the Authority and shall further indicate either the decision of the City to satisfy its obligations under this Agreement without the assistance of a Dissemination Agent or the identity of the new Dissemination Agent.

(b) The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and shall provide notice of such appointment to the Trustee. Thereafter, the Authority may discharge any such Dissemination Agent and satisfy its obligations under this Agreement without the assistance of a Dissemination Agent, or the Authority may discharge a Dissemination Agent and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent. The Authority shall provide notice of the discharge of a Dissemination Agent to the Trustee and shall further indicate either the decision of the Authority to satisfy its obligations under this Agreement without the assistance of a Dissemination Agent or the identity of the new Dissemination Agent. The Authority appoints the Trustee to serve as its initial Dissemination Agent, and by executing this Agreement the Trustee hereby accepts such appointment.

(c) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

(d) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Authority and the City. Such resignation shall take effect on the date specified in such notice.

Section 2.6. Responsibilities and Duties of the Authority.

(a) The Authority agrees that it will provide in a timely manner to each National Repository or to the MSRB and to the State Repository, if any, notice of any of the following events with respect to the Bonds (each, a “Bond Disclosure Event”), if material, and will provide a copy of such notice to the Trustee and the City, for informational purposes only:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of the holder of the Bonds;
- (viii) Bond calls (other than regularly scheduled mandatory sinking fund redemptions for which notice of redemption has been given to the Bondholders as required pursuant to the provisions of the Indenture);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the 2007 Bonds; and
- (xi) Rating changes.

(b) If the Authority has determined that the occurrence of a Bond Disclosure Event would be material, the Authority shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State Repository, if any (the “Bond Disclosure Event Notice”) in the form determined by the Authority together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof; provided, that the Bond Disclosure Event Notice pertaining to the occurrence of a Bond Disclosure Event described in clauses 2.6(a)(viii) (Bond calls) or 2.6(a)(ix) (defeasances) need not be given under this subsection any earlier than the time when the notice (if any) of such Bond Disclosure Event shall be given to Holders of affected Bonds as provided in Section 1011 and other related sections of the Indenture. The obligations of the Authority to provide the notices required under this Agreement are in addition to, and not in substitution of, any of the obligations (if any) of the Trustee to provide notices of events of default to Holders under said Section 1011 and other related sections of the Indenture. The Authority shall file a copy of each Bond Disclosure Event Notice with the Trustee and the City, for informational purposes only.

Section 2.7. Immunities and Liabilities of the Trustee. Article XI of the Indenture, relating to compensation, reimbursement, immunities and liabilities of the Trustee, is hereby made applicable to its responsibilities under this Agreement. The immunities and liabilities of the Trustee shall survive the termination of the Indenture, as amended and supplemented. The Trustee shall have no obligation hereunder to provide, or to monitor the Authority's obligation to provide, Bond Disclosure Event Notices.

Section 2.8. Central Post Office. Notwithstanding anything herein contained to the contrary, the Authority, the City and the Dissemination Agent, respectively, may file, or cause to be filed, with the Central Post Office, by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org>, the Annual Report, and any notices necessary to be filed hereunder in lieu of making such filings with the Repositories for so long as the filing of the Annual Reports and notices with the Central Post Office is an undertaking described in paragraph (b)(5)(i) of Rule 15c2-12, as determined by the SEC in the Interpretative Letter. The Dissemination Agent may assume that the Interpretative Letter is in full force and effect unless (a) advised by the Authority in writing to the contrary or (b) the Dissemination Agent has actual knowledge that the Interpretative Letter has been withdrawn or revoked.

ARTICLE 3

REMEDIES

Section 3.1 Remedies.

(a) The Trustee may (and at the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds, and after provision of indemnity in accordance with Section 1004 of the Indenture, shall), or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the City and/or the Authority and any of their respective officers, agents and employees which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the City and/or the Authority under this Agreement and may compel the City and/or the Authority or any of their respective officers, agents or employees, (except for the Dissemination Agent with respect to the obligations, agreements and covenants of the City or the Authority), to perform and carry out their duties under this Agreement; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further that any Bondholder, acting for the equal benefit and protection of all Bondholders similarly situated, may pursue specific performance only with respect to the failure to file the Annual Reports and Bond Disclosure Event Notices required by this Agreement, and may not pursue specific performance in challenging the adequacy of Annual Reports which have been filed pursuant to the provisions hereof.

(b) In case the Trustee or any Bondholder shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the City, the Authority, the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the City, the Authority, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

(c) A failure by the Authority or the City to perform their respective obligations under this Agreement shall not be deemed an event of default under any other agreement entered into in connection with the issuance of the Bonds or the Indenture, and the sole remedy under this Agreement in the event of any failure by the Authority or the City to comply with this Agreement shall be as set forth in subsection 3.1(a) of this Agreement.

ARTICLE 4

MISCELLANEOUS

Section 4.1. Purposes of this Agreement. This Agreement is being executed and delivered by the City, the Authority and the Trustee for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2. The Authority and the Bondholders.

(a) The Authority may enforce any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee or the Holders of the Bonds.

(b) Each Bondholder is hereby recognized as being a third-party beneficiary hereunder and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee, to the extent permitted in Section 3.1(a) hereof.

Section 4.3. Obligations of the Authority Hereunder; Indemnified Parties. Neither the Authority nor any member, official, employee, counsel, consultant or agent of the Authority or any person executing the Bonds shall bear any obligation for the performance of any duty, agreement or covenant of the City or the Trustee under this Agreement. The obligations of the Authority under this Agreement are expressly limited to the duties of the Authority, or the Authority's Dissemination Agent, set forth herein.

The City agrees to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel (including, without limitation, Bond Counsel to the Authority), consultant and agent of the Authority, including the Trustee and any of its members, officers or employees or agents or any purchaser of the Bonds (collectively, the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the City's failure, or the City's Dissemination Agent's failure, to perform or observe any of the City's obligations, agreements or covenants under the terms of this Agreement, but only if and insofar as such losses, claims, damages, liabilities or expenses are caused directly or indirectly by any such failure of the City or the City's Dissemination Agent to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement and in respect of which indemnity may be sought against the City, the Indemnified Parties shall promptly notify the City in writing. Upon receipt of such notification, the City shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party to the extent allowed by law. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the City, or unless by reason of conflict of interest determined by the written opinion of counsel to any such party, it is advisable for such party to be represented by separate counsel, to be retained by the City, in which case the fees and expenses of such

separate counsel shall be borne by the City. The City shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the City or if there be a final judgment for the plaintiff in any such action with or without written consent, the City agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this paragraph shall require or obligate the City to indemnify or hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with the City's performance of its obligations, agreements and covenants under this Agreement.

Section 4.4. Additional Information. Nothing in this Agreement shall be deemed to prevent the City or the Authority (a) from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or (b) including, in addition to that which is required by this Agreement, in the case of the City, any other information in any Annual Report and in the case of the Authority, any other information in its Annual Report or any Bond Disclosure Event Notice. If the City chooses to include any information in any Annual Report or if the Authority chooses to include any information in any Annual Report or Bond Disclosure Event Notice, in addition to that which is specifically required by this Agreement, neither the City nor the Authority shall have any obligation under this Agreement to update such information or include it in any future Annual Report or Bond Disclosure Event Notice, as the case may be.

Section 4.5. Notices. All notices required to be given or authorized to be given by each party pursuant to this Agreement shall be in writing and shall be sent by registered or certified mail (as well as by facsimile), addressed to: in the case of the City, to City of Hoboken, City Hall, 94 Washington Street, Hoboken, New Jersey 07030 (attention: Corporation Counsel); in the case of the Authority, to Hoboken Municipal Hospital Authority, City Hall, 94 Washington Street, Hoboken, New Jersey 07030 (attention: Chairperson); and in the case of the Trustee, to Commerce Bank, National Association, 101 Haddonfield Road, 2nd Floor, Cherry Hill, New Jersey 08002-4401 (attention: Corporate Trust Department). In addition, all notices sent to the City shall also be sent to the City's auditor and all notices sent to the Authority shall also be sent to the Authority's Bond Counsel.

Section 4.6. Assignments. This Agreement may not be assigned by any party without the consent of the others and, as a condition to any such assignment, only upon the assumption in writing of all of the obligations imposed upon such party by this Agreement.

Section 4.7. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.8. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall

constitute but one and the same instrument. Each party hereto may sign the same counterpart or each party hereto may sign a separate counterpart.

Section 4.9. Amendments, Changes and Modifications.

(a) Except as otherwise provided in this Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

(b) Without the consent of any Bondholders, the City, the Trustee and the Authority at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to covenants and agreements of the City or the Authority hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the City or the Authority by this Agreement;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or the Authority or to reflect changes in the identity, nature or status of the City or the Authority or in the business, structure or operations of the City or the Authority or any mergers, consolidations, acquisitions or dispositions made by or affecting the City or the Authority; provided that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Agreement which, in each case, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances;

provided, that prior to approving any such amendment or modification, the Trustee, in reliance upon an opinion of Bond Counsel to the Authority, determines that such amendment or modification does not adversely affect the interests of the Holders of the 2007 Bonds in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement which materially affects the interests of the Holders of the Bonds, the Authority shall deliver to each of the Repositories written notice of any such amendment or modification.

(d) The City, the Trustee and the Authority shall be entitled to rely conclusively upon a written opinion of Bond Counsel to the Authority to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

Section 4.10. Amendments Required by Rule 15c2-12. The City, the Trustee and the Authority each recognize that the provisions of this Agreement are intended to enable the compliance with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof or the promulgation of a successor rule, statute or regulation thereto, a change in this Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery of an opinion of Bond Counsel to the Authority to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the City, the Trustee and the Authority shall amend this Agreement to comply with and be bound by any such amendment to this Agreement to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.9(c) hereof.

Section 4.11. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the laws of the State and the laws of the United States, as applicable.

Section 4.12. Commencement and Termination of Continuing Disclosure Obligations. The obligations of the Authority, the City and the Trustee hereunder shall be in full force and effect from the date of issuance of the Bonds and shall continue in effect until (i) in the case of the Authority, the date the Bonds are no longer Outstanding in accordance with the terms of the Indenture and (ii) in the case of the City, the earlier of the date the Bonds are no longer Outstanding in accordance with the terms of the Indenture or the date (if any) the City's obligations under the City Guaranty are no longer outstanding (provided that the Authority delivers written notice to such effect to each National Repository or to the MSRB and to the State Repository, if any).

Section 4.13. Prior Undertakings. The City has not failed to comply in any material respect with any prior continuing disclosure undertaking made by the City, if any, in accordance with Rule 15c2-12.

Section 4.14. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City, the Trustee and the Authority and their respective successors and assigns.

IN WITNESS WHEREOF, the **CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY**, the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY** and _____ have caused this Agreement to be executed in their respective names and their corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

**CITY OF HOBOKEN, IN THE
COUNTY OF HUDSON, NEW
JERSEY**

Name:

Title: City Clerk

By: _____

Name:

Title: Business Administrator

[SEAL]

ATTEST:

**HOBOKEN MUNICIPAL
HOSPITAL AUTHORITY**

Name:

Title: Secretary

By: _____

Name:

Title: Chairman

[SEAL]

ATTEST:

**COMMERCE BANK, NATIONAL
ASSOCIATION, as Trustee
and as initial Dissemination Agent for
the Authority**

Name:

Title:

By: _____

Name:

Title:

EXHIBIT A

UTILIZATION

Total admissions
Total patient days
Average length of stay
Same day surgery procedures
Emergency room visits
Outpatient visits
Newborn deliveries

PAYOR MIX

Medicare percentage of total revenue
(excluding Medicare managed care)
Medicaid percentage of total revenue
(excluding Medicaid managed care)
Private insurance percentage of total revenue
(excluding commercial managed care)
Other, not managed care
Managed care percentage of total revenue

REVENUE BREAKDOWN

Gross/net patient revenues
Gross/net inpatient revenues
Gross/net outpatient revenue

EXPENSE BREAKDOWN

Total FTEs
Average salary per FTE, including fringes
Fringe benefits (percent of salary)
Percent change in physician salaries
Percent change in supplies and other costs
Interest costs - explain changes in debt
Depreciation - explain method

EXHIBIT B

EXCERPT FROM FINAL OFFICIAL STATEMENT

EXHIBIT C-1

**FORM OF NOTICE TO REPOSITORIES OF
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: The City of Hoboken, in the County of Hudson, New Jersey

Name of Bond Issue: Hoboken Municipal Hospital Authority
\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007A (Federally Taxable) (Convertible to Tax-Exempt)
\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007B (Federally Taxable)

Date of Issuance: February 1, 2007

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the City of Hoboken, in the County of Hudson, New Jersey (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the "Continuing Disclosure Agreement" dated as of February 1, 2007 among the City, the Hoboken Municipal Hospital Authority and _____, as Trustee and as Dissemination Agent. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

[TRUSTEE],
as Trustee

By: _____

EXHIBIT B-2

**FORM OF NOTICE TO REPOSITORIES OF
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: Hoboken Municipal Hospital Authority

Name of Bond Issue: Hoboken Municipal Hospital Authority
\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007A (Federally Taxable) (Convertible to Tax-Exempt)
\$_____ City of Hoboken Guaranteed Hospital Revenue Bonds,
Series 2007B (Federally Taxable)

Date of Issuance: February 1, 2007

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Hoboken Municipal Hospital Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by the “Continuing Disclosure Agreement” dated as of February 1, 2007 among the City of Hoboken, the Authority and _____, as Trustee and as Dissemination Agent. [The Authority anticipates that the Annual Report will be filed by _____.]

Dated: _____

[TRUSTEE],
as Trustee

By: _____