



**\$77,700,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**NYU HOSPITALS CENTER REVENUE BONDS,**  
**SERIES 2014**

Dated: Date of Delivery

Due: July 1, as shown below

**Payment and Security:** The NYU Hospitals Center Revenue Bonds, Series 2014 (the “Series 2014 Bonds”), are special obligations of the Dormitory Authority of the State of New York (“DASNY” or the “Authority”) payable from and secured by a pledge of (i) the payments to be made under the Amended and Restated Loan Agreement (the “Loan Agreement”) dated as of April 5, 2000, as amended and restated as of June 28, 2006 and as supplemented by the Supplement No. 4 to the Amended and Restated Loan Agreement, dated as of November 12, 2014, in each case between DASNY and NYU Hospitals Center (“NYUHC” or the “Institution”), (ii) the hereinafter defined Series 2014 Obligation, and (iii) the funds and accounts (except the Arbitrage Rebate Fund) created under DASNY’s Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution, adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006 (the “Resolution”), and under the Authority’s Series 2014 Resolution, adopted by the Authority on November 12, 2014 (the “Series 2014 Resolution”).

Payment of the principal of and interest on the Series 2014 Bonds, when due, is secured by payments to be made pursuant to an obligation (the “Series 2014 Obligation”), issued by NYUHC pursuant to an Amended and Restated Master Trust Indenture, dated as of November 25, 2014 (the “Master Indenture”), by and between NYUHC and The Bank of New York Mellon, as master trustee.

NYUHC is the sole Member of the Obligated Group established under the Master Indenture.

NYUHC’s obligations under the Loan Agreement and the Series 2014 Obligation are general obligations of NYUHC. The Loan Agreement requires NYUHC to pay, in addition to the fees and expenses of the Authority and The Bank of New York Mellon, as Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, or Redemption Price, if any, of and interest on the Series 2014 Bonds, as such payments shall become due, and to make payments due under the Series 2014 Obligation.

**The Series 2014 Bonds will not be a debt of the State of New York (the “State”) nor will the State be liable thereon. The Authority has no taxing power.**

**Description:** The Series 2014 Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiples thereof. Interest on the Series 2014 Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2015, and will be payable at the principal corporate trust office of The Bank of New York Mellon, as Trustee, by check or draft mailed to the registered owner thereof. See “PART 3 – THE SERIES 2014 BONDS” herein.

The Series 2014 Bonds will be initially issued under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the Series 2014 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2014 Bonds, payments of the principal and Redemption Price of and interest on such Series 2014 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “PART 3 – THE SERIES 2014 BONDS - Book-Entry Only System” herein.

**Redemption and Purchase in Lieu of Redemption:** The Series 2014 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

**Tax Exemption:** In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds. See “PART 12 – TAX MATTERS” herein.

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

Interest				Interest			
Maturity	Amount	Rate	Yield	Maturity	Amount	Rate	Yield
July 1,				July 1,			
2017	\$2,660,000	4.000%	0.970%	2025	\$3,675,000	5.000%	2.910%*
2018	2,765,000	4.000	1.260	2026	3,865,000	5.000	3.000*
2019	2,880,000	2.000	1.650	2027	4,055,000	5.000	3.100*
2020	2,935,000	5.000	1.910	2028	3,820,000	5.000	3.170*
2021	3,085,000	5.000	2.180	2029	3,995,000	3.625	3.625
2022	3,240,000	5.000	2.430	2030	4,145,000	5.000	3.260*
2023	3,405,000	5.000	2.630	2031	4,360,000	5.000	3.300*
2024	3,570,000	3.000	2.860	2032	4,565,000	5.000	3.330*
\$20,680,000 5.00% Term Bonds Due July 1, 2036, Yield* 3.46%, CUSIP <sup>1</sup> 6499072Q4							

*The Series 2014 Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2014 Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for NYUHC by NYUHC’s Office of General Counsel, and by NYUHC’s Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York. The Authority expects the Series 2014 Bonds to be delivered in definitive form in New York, New York on or about December 17, 2014.*

Wells Fargo Securities

BofA Merrill Lynch

J.P. Morgan

December 2, 2014

<sup>1</sup> See CUSIP footnote on inside cover.

\* Yield to the first optional redemption date of July 1, 2024.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2014 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be an offer, reoffer or sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.

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

The Institution has reviewed the parts of this Official Statement describing the Institution, the Obligated Group and the Master Indenture, including but not limited to "PART 1 – INTRODUCTION," "PART 4 – PLAN OF REFUNDING," "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 7 - NYU HOSPITALS CENTER" and "PART 8 - RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP," "PART 18 – CONTINUING DISCLOSURE" (only insofar as such Continuing Disclosure relates to obligations of the Institution) and "Appendix B – NYUHC Financial Statements as of August 31, 2014 and 2013". The Institution shall certify as of the dates of offering and delivery of the Series 2014 Bonds that such parts of this Official Statement relating to the Institution do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

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

References in this Official Statement to the Act (as defined herein), the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage (as defined herein), the Master Indenture and the Series 2014 Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2014 Obligation for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2014 Obligation are on file with DASNY and the Trustee.

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

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

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.**

<sup>1</sup> CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers indicated have been assigned by an independent company not affiliated with DASNY and are provided solely for the convenience of the holders of the Series 2014 Bonds only at the time of issuance of the Series 2014 Bonds. No representations are made with respect to such numbers nor does any party undertake any responsibility for the accuracy of the CUSIP numbers now or at any time in the future. DASNY is not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness on the Series 2014 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity of the Series 2014 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2014 Bonds.

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

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

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**OFFICIAL STATEMENT RELATING TO**

**\$77,700,000  
DORMITORY AUTHORITY  
OF THE STATE OF NEW YORK  
NYU HOSPITALS CENTER  
REVENUE BONDS, SERIES 2014**

**PART 1 - INTRODUCTION**

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover page hereto, is to provide information about the Dormitory Authority of the State of New York (“DASNY” or the “Authority”) and NYU Hospitals Center (“NYUHC” or the “Institution”) in connection with the offering by the Authority of \$77,700,000 aggregate principal amount of its NYU Hospitals Center Revenue Bonds, Series 2014, dated their date of delivery (the “Series 2014 Bonds”).

The following is a brief description of certain information concerning the Series 2014 Bonds, DASNY and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2014 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in “Appendix A” and “Appendix E-1” hereto.

**Purpose of the Issue**

The proceeds of the Series 2014 Bonds will be loaned by the Authority to NYUHC and, together with other available funds, will be used to (i) advance refund the outstanding Dormitory Authority of the State of New York NYU Hospitals Center Revenue Bonds, Series 2007B Bonds (the “Series 2007B Bonds” or the “Refunded Bonds”) and (ii) pay certain Costs of Issuance of the Series 2014 Bonds. See “PART 4 – THE PLAN OF REFUNDING” and “PART 6 – ESTIMATED SOURCES AND USES OF FUNDS.”

**Authorization of Issuance**

The Series 2014 Bonds will be issued pursuant to the Authority’s Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006 (the “Resolution”), the Series 2014 Resolution adopted by the Authority on November 12, 2014 (the “Series 2014 Resolution”), and the Act. On January 25, 2011, the Authority, pursuant to the Resolution, issued \$130,930,000 of its NYU Hospitals Center Revenue Bonds, Series 2011A (the “Series 2011A Bonds”). On December 5, 2007, the Authority, pursuant to the Resolution, issued \$94,150,000 of its Series 2007B Bonds. On February 6, 2007, the Authority, pursuant to the Resolution, issued \$165,300,000 of its NYU Hospitals Center Revenue Bonds, Series 2007A (the “Series 2007A Bonds”). On October 4, 2006, the Authority, pursuant to the Resolution, issued \$94,590,000 of its NYU Hospitals Center Revenue Bonds, Series 2006A (the “Series 2006A Bonds”). The Series 2006A Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2011A Bonds (collectively, the “Prior Bonds”) are Outstanding as of November 1, 2014 under the Resolution in the principal

amounts of, \$84,440,000, \$141,625,000, \$83,780,000 and \$125,205,000, respectively. DASNY and the Institution expect the proceeds of the Series 2014 Bonds to be used to refund all of the Series 2007B Bonds.

For a description of other long-term debt of NYUHC, see “Appendix B - NYUHC Financial Statements as of August 31, 2014 and 2013, Note 6.”

Additional Bonds may in the future be issued pursuant to the Resolution and each such Series of Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolution, and (ii) the applicable Obligation (as defined herein) to be issued by the Obligated Group pursuant to the Master Indenture (as defined herein). The Series 2014 Bonds, the Prior Bonds and all additional Series of Bonds hereafter issued pursuant to the Resolution are referred to herein as the “Bonds.” See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS.”

Payment of the principal of and interest on the Series 2014 Bonds, when due, will be secured by payments to be made pursuant to an amended Obligation (the “Series 2014 Obligation”) secured under the Amended and Restated Master Trust Indenture, dated as of November 25, 2014 (the “Master Indenture”), by and between NYUHC and The Bank of New York Mellon, as master trustee (the “Master Trustee”). The Series 2014 Obligation will represent the amendment of the Obligation NYUHC originally issued to secure the payments on the Series 2007B Bonds. Upon its amendment and issuance, the Series 2014 Obligation will be outstanding in a principal amount equal to the principal amount of the Series 2014 Bonds. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Security for the Bonds – The Series 2014 Obligation.”

The proceeds of the Series 2014 Bonds will be loaned by DASNY to NYUHC pursuant to the Amended and Restated Loan Agreement, dated as of April 5, 2000, as amended and restated as of June 28, 2006, and as supplemented by the Supplement No. 4 to the Amended and Restated Loan Agreement, dated as of November 12, 2014, in each case between DASNY and NYUHC (collectively, the “Loan Agreement”). The repayment obligations of NYUHC under the Loan Agreement are secured by Obligations issued by NYUHC under the Master Indenture.

### **The Series 2014 Bonds**

The Series 2014 Bonds will be dated their date of issuance, and will accrue interest from their date at the rates, and will mature at the times, as set forth on the cover page hereof. Interest on the Series 2014 Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2015. See “PART 3 – THE SERIES 2014 BONDS – Description of the Series 2014 Bonds.”

### **The Authority**

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

### **NYU Hospitals Center**

NYUHC is a tertiary care teaching hospital located in mid-town Manhattan. NYUHC traces its origins to the founding in 1882 of the New York-Post Graduate Hospital and, together with NYU School of Medicine, commenced conducting business as NYU Medical Center in 1947. In 1998, NYUHC became separately incorporated and, following a multi-year period during which NYUHC was affiliated with Mount Sinai Hospital, NYUHC once again became wholly controlled by New York University in October 2007. NYUHC is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

NEITHER NEW YORK UNIVERSITY NOR NYU SCHOOL OF MEDICINE IS OBLIGATED WITH RESPECT TO THE SERIES 2014 BONDS.

NYUHC is the sole Member of the Obligated Group under the Master Indenture. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Obligations under the Master

Indenture.” Subject to the conditions thereto set forth in the Master Indenture, in the future additional entities may become Members of the Obligated Group.

For certain financial and operational information of NYUHC, see “PART 7 – NYU HOSPITALS CENTER” and “Appendix B – NYUHC Financial Statements as of August 31, 2014 and 2013,” each of which should be read in their entirety. “Appendix B” includes the results of a wholly controlled subsidiary of NYUHC, CCC550 Insurance, SCC (“CCC550”), which is NYUHC’s captive insurance company. **CCC550 IS NOT OBLIGATED WITH RESPECT TO THE SERIES 2014 OBLIGATION OR THE SERIES 2014 BONDS.**

### **Payment of the Bonds**

The Series of Bonds heretofore and hereafter issued under the Resolution, including the Series 2014 Bonds and the Prior Bonds, are and will be special obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by the Institution under the Loan Agreement or to be made by the Institution, as the sole Member of the Obligated Group, on the Obligations of the Obligated Group issued under the Master Indenture, which payments are pledged and assigned to the Trustee. The Institution’s payment obligations under the Loan Agreement with respect to the Series 2014 Bonds are general obligations of the Institution secured by the Series 2014 Obligation issued under the Master Indenture. The Series 2014 Obligation is secured by a security interest in the Gross Receipts of the Institution on a parity with all other Obligations issued under the Master Indenture. The Series 2014 Obligation will also be secured by a mortgage lien (as more fully described herein) on certain of the Institution’s primary hospital facilities, including portions of NYUHC’s main campus and certain other clinical facilities (collectively, the “Mortgaged Property”), which lien secures on a parity basis all other Obligations issued under the Master Indenture, including Obligations issued in connection with each series of the Prior Bonds, the Obligations issued in connection with the NYU Hospitals Center Taxable Bonds, Series 2012A (the “Series 2012A Bonds” and the “Series 2012A Obligation”), NYU Hospitals Center Taxable Bonds, Series 2013A (the “Series 2013A Bonds” and the “Series 2013A Obligation”), NYU Hospitals Center Taxable Bonds, Series 2014A (the “Taxable 2014A Bonds” and the “Series 2014A Obligation”), and Obligation No. 12 issued to secure a bank loan (collectively with such Obligations securing the Prior Bonds, the “Parity Obligations”). See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Payment of the Series 2014 Bonds,” and “– Obligations under the Master Indenture.” The Prior Bonds, together with the Series 2012A Bonds, the Series 2013A Bonds and the Taxable 2014A Bonds are referred to herein as the “Parity Bonds.”

### **Security for the Bonds**

Each Series of the Bonds is and will be separately secured by the pledge and assignment made by the Authority pursuant to the Resolution to the Trustee of the Revenues applicable to such Series and all funds and accounts authorized by the Resolution and established under the applicable Series Resolution (with the exception of the Arbitrage Rebate Fund), which include separate Debt Service Reserve Funds for each separate Series of Prior Bonds. **No Debt Service Reserve Fund will be funded for the Series 2014 Bonds.** See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Security for the Series 2014 Bonds” and “– Obligations under the Master Indenture – The Mortgage,” “Appendix E-1 – Summary of Certain Provisions of the Master Indenture,” and “Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture.”

In addition, payment when due on the Series 2014 Bonds, and payment when due of the payment obligations of the Institution to the Authority under the Loan Agreement, is secured by the Series 2014 Obligation issued pursuant to the Master Indenture. The Master Indenture constitutes a joint and several obligation of each Member of the Obligated Group to repay all Obligations, including the Series 2014 Obligation. NYUHC is currently the sole Member of the Obligated Group. The obligation of NYUHC and any future Member of the Obligated Group to make the payment required by the Master Indenture with respect to the Series 2014 Obligation is secured by a security interest in the Gross Receipts of NYUHC and any future Member of the Obligated Group and by the Mortgage. Gross Receipts do not include, among other things, revenue derived from Property that does not constitute Health Care Facilities (i.e., Excluded Property). The Series 2014 Obligation will be registered in the name of the Authority. The issuance of future Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which bind all Members of the Obligated Group, as described in “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Obligations under the Master

Indenture,” “Appendix E-1 – Summary of Certain Provisions of the Master Indenture,” and “Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture.”

NYUHC and any future Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of NYUHC and any future Member of the Obligated Group on a parity with the Series 2014 Obligation and all other Obligations outstanding under the Master Indenture, including the Parity Obligations, with respect to the Gross Receipts and the Mortgage. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture.” Such other Indebtedness, if not so evidenced by an Obligation issued under the Master Trust Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such Indebtedness, and not a joint and several obligation of the entire Obligated Group and, therefore, would not be entitled to the benefits of the Master Indenture. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Obligations under the Master Indenture,” “Appendix E-1 – Summary of Certain Provisions of the Master Indenture,” and “Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture.”

The Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the Resolution for the benefit of the Institution and any other future Members of the Obligated Group. The holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the holders of Bonds of any other Series. Each Series of Additional Bonds shall be secured by a separate Obligation issued under the Master Indenture. For a more complete discussion of the security for the Series 2014 Bonds, see “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Security for the Series 2014 Bonds.”

**The Series 2014 Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.**

### **The Mortgages**

In connection with the issuance of the Obligation securing the Series 2006A Bonds (the “Series 2006A Obligation”), DASNY consolidated, amended, and restated its prior mortgages on portions of the NYUHC main campus and the campus of the former Hospital for Joint Diseases (the “HJD Campus,” and collectively with the main campus, the “Main Campuses”) into a single mortgage (the “Consolidated Mortgage”) that was assigned to the Master Trustee and which secure all Outstanding Obligations. Additional similar mortgages were granted to the Master Trustee on the Main Campuses and on the Cancer Center in connection with the issuance of each other series of Parity Bonds and the Parity Obligations (collectively, the “Prior Mortgages”). The mortgage granted in connection with the Series 2007B Bonds is referred to as the “2007B Mortgage.”

Upon the issuance of the Series 2014 Bonds, the 2007B Mortgage will be amended so as to result in such 2007B Mortgage securing the Series 2014 Obligation (the 2007B Mortgage, as amended is referred to herein as the “Tax-Exempt 2014 Mortgage” and together with the Prior Mortgages, the “Mortgages”).

The Master Indenture allows NYUHC to release certain property from the lien of the Mortgages if such property meets the test for a Qualifying Release Parcel as such term is defined in “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Permitted Release of Mortgaged Property.” See below for a description of the potential release of the Energy Building (described below).

In connection with New York University Langone Medical Center’s (“NYULMC”) campus transformation plan, NYUHC is constructing the Kimmel Pavilion and Energy Building (each as more fully described in “PART 7 - NYU HOSPITALS CENTER” and collectively, the “NYUHC Projects”) on sites currently comprised in part of condominium units that are subject to the lien of the Mortgages and in part of general common elements that are not subject to the lien of the Mortgages but are appurtenant to such condominium units. Consequently, certain of these mortgaged condominium units have been or will be demolished or otherwise modified to allow for the construction and development of NYUHC projects as permitted under the Master Indenture.



Following completion of each of the Kimmel Pavilion (expected to be completed in 2017) and the Energy Building (expected to be completed in mid- 2016), NYUHC may divide each of these buildings into condominium units owned by it (the “New Units”) and appurtenant common elements, and modify the Mortgages to spread the lien of the Mortgages over such New Units and NYUHC’s interest in the New Units’ appurtenant common elements. During the demolition and construction phase for each of the Kimmel Pavilion and the Energy Building, certain portions of existing condominium units on the Mortgaged Property will have ceased or will cease to exist or will be modified, and New Units will yet to have been constructed (the “Interim Period”). In the event of foreclosure upon the Mortgaged Property during the Interim Period, the Master Trustee will succeed to all of NYUHC’s right, title and interest in the portions of the Mortgaged Property affected by such demolition and construction, which would include ownership rights to any undemolished condominium units and the related common elements, together with an interest in the common elements of vacant land, improvements to be constructed, and/or condominium units to be established within such improvements. **Additionally, at such later date as determined by NYUHC, following the completion of the Energy Building, NYUHC may, subject to certain conditions contained in the Master Indenture, seek to release the Energy Building from the lien of the Mortgages.** For a description of the conditions to release, see “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Permitted Release of Mortgaged Property.”

None of the Mortgages securing the 2012A Obligation, the 2013A Obligation, Obligation No. 12 or the Taxable 2014A Mortgage have been insured under a title insurance policy. Each of the Consolidated Mortgage and the mortgages securing the Series 2007A Bonds and the Series 2011A Bonds are insured under a title insurance policy. The Tax-Exempt 2014 Mortgage is expected to be insured under a title insurance policy. See “PART 8 - RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP – Realization of Value on Mortgaged Property.”

The Institution’s payment obligations on the Parity Obligations, and any future Obligations issued under the Master Indenture, are secured by the Mortgages, including a security interest in certain fixtures, furnishings and equipment now or hereafter owned by the Institution and located on or at the Mortgaged Property or used in connection with the Mortgages. The Master Trustee is permitted to release or subordinate certain portions of real property and improvements constituting Health Care Facilities (as defined in the Master Indenture) from the lien of the Mortgages under certain conditions set forth in the Master Indenture, which include but are not limited to releases for fair market value of property that does not materially detract from the utility of the Health Care Facilities and the proceeds of which are applied to the operation, maintenance or improvement to the Health Care Facilities or to the pro rata prepayment of the Obligations then outstanding. The Supplements to the Master Indenture entered into in connection with the issuance of the Series 2006A Bonds, Series 2007A Bonds and Series 2007B Bonds provide DASNY with the right to release the related mortgages granted to the Master Trustee for reasons within DASNY’s discretion. Such discretionary rights were not granted to DASNY with respect to the 2011 Mortgage in connection with the issuance of the Series 2011A Bonds or to any party with respect to the 2012 Mortgage, 2013 Mortgage or Taxable 2014A Mortgage in connection with the issuance of the Series 2012A Bonds, Series 2013A Bonds or Taxable 2014A Bonds, respectively. DASNY will not retain those rights with regard to the 2007B Mortgage upon the amendment of such mortgage to secure the Series 2014 Obligation in connection with the issuance of the Series 2014 Bonds. So long as the Series 2014 Bonds remain Outstanding, the Master Trustee’s right to release any portion of the Tax-Exempt 2014 Mortgage will be limited to the specific release and subordination provisions set forth in the Master Indenture at the time of release. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture.” See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Obligations under the Master Indenture – The Mortgages.”

The Master Indenture does not require the Obligated Group to grant additional mortgages to secure future Obligations, but proceeds of the existing mortgages will secure all Obligations equally and ratably. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Security; Restrictions on Encumbering Property; Payment of Principal and Interest.”

## **PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2014 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and the Series 2014 Obligation. Copies of the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the*

*Master Indenture, the Supplemental Indenture and the Series 2014 Obligation are on file with the Authority and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Loan Agreement,” “Appendix D – Summary of Certain Provisions of the Resolution,” and “Appendix E-1 – Summary of Certain Provisions of the Master Indenture” for a more complete statement of the rights, duties and obligations of the parties thereto.*

### **Payment of the Series 2014 Bonds**

The Series 2014 Bonds issued under the Resolution are special obligations of the Authority. The principal, Sinking Fund Installments, purchase price in lieu of redemption and Redemption Price, if any, of and interest on the Series 2014 Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2014 Resolution. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement or to be made by the Obligated Group under the Series 2014 Obligation to be issued with respect to the Series 2014 Bonds on account of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014 Bonds. The Revenues have been assigned by the Authority to the Trustee for the benefit of the holders of the Series 2014 Bonds.

The Institution’s obligations under the Loan Agreement and under the Series 2014 Obligation are general obligations of the Institution. The Authority has directed the Institution, and the Institution has agreed, to make the payments under the Loan Agreement directly to the Trustee. Any payments made on the Series 2014 Obligation issued with respect to the Series 2014 Bonds shall also be made directly to the Trustee. The Loan Agreement obligates the Institution to make monthly payments sufficient to pay, among other things, the principal and Sinking Fund Installments of and interest on the Series 2014 Bonds as they become due, and to make any payments due under the Series 2014 Obligation. Each payment is to be equal to one-sixth of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on or prior to the next succeeding principal or sinking fund payment date. See “PART 3 – THE SERIES 2014 BONDS – Redemption and Purchase in Lieu of Redemption Provisions.”

### **Security for the Series 2014 Bonds**

The Series 2014 Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution and established by the Series 2014 Series Resolution (with the exception of the Arbitrage Rebate Fund), and payments to be made by the Obligated Group under the Series 2014 Obligation. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by Series 2014 Resolution secure only the Series 2014 Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue. See “Appendix D – Summary of Certain Provisions of the Resolution.”

#### *The Series 2014 Obligation*

Payment of the principal of, redemption price of or purchase price in lieu of redemption and interest on the Series 2014 Bonds when due, and payment when due of the obligations of the Institution to the Authority under the Loan Agreement, will be secured by payments made by the Institution pursuant to the Series 2014 Obligation. The Obligation securing the Series 2007B Bonds, upon the provision of payment for such Obligation with the proceeds of the Series 2014 Bonds, will be amended and deemed to secure the Series 2014 Bonds. Such Obligation, as amended, will become and is referred to herein as the “Series 2014 Obligation.”

The Series 2014 Obligation will be issued to the Authority, which will assign all payments under the Series 2014 Obligation to the Trustee for the benefit of the Bondholders. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS – Obligations under the Master Indenture” herein.

### **Events of Default and Acceleration under the Resolution**

The following constitute events of default under the Resolution with respect to the Series 2014 Bonds: (i) a default by the Authority in the payment when due of the principal, Sinking Fund Installments or Redemption Price, if any, of or interest on any Series 2014 Bond; (ii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2014 Bonds or in the Resolution or in

the Series 2014 Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Bonds unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof); (iii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2014 Bonds from gross income under the Code; or (iv) an "Event of Default," as defined in the Loan Agreement, shall have occurred and is continuing and all sums payable by the Institution under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Failure of the Institution to make payment under the Loan Agreement shall not constitute an Event of Default under the Loan Agreement if timely payment of the Series 2014 Obligation is made by the Obligated Group in place of the payment due under the Loan Agreement. If an Event of Default occurs under the Master Trust Indenture (as defined therein) or under any Obligation issued thereunder, such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an Event of Default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default occurs and continues (except with respect to a default described in clause (iii) above), the Trustee shall, upon the written request of the holders of not less than 25% in principal amount of the Series 2014 Bonds, by written notice to the Authority, declare the principal of and interest on the Series 2014 Bonds to be due and payable immediately. At the expiration of thirty (30) days after the giving of such notice, such principal, Sinking Fund Installments and interest shall become immediately due and payable. The Trustee shall, with the written consent of the holders of not less than 25% in principal amount of Series 2014 Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the holders within thirty (30) days, in each case after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment or Redemption Price of, or interest on, any of the Series 2014 Bonds, the Trustee shall be protected in withholding such notice thereof to the holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the holders of the Series 2014 Bonds.

### **Additional Bonds**

In addition to the Series 2014 Bonds and the Prior Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of any Member of the Obligated Group.

### **Obligations under the Master Indenture**

#### *General*

In addition to other sources of payment described herein, principal of, redemption price, purchase price in lieu of redemption, and interest on the Series 2014 Bonds will be payable from moneys paid by the Institution and any other future Members of the Obligated Group pursuant to the Series 2014 Obligation. The Series 2014 Obligation will be issued to DASNY, which will assign all payments under the Series 2014 Obligation to the Trustee as security for the payment of the principal of, redemption price of, purchase price in lieu of redemption and interest on the Series 2014 Bonds. Concurrently with the issuance of the Series 2014 Bonds, the Obligated Group will amend the Obligation securing the Series 2007B Bonds to secure the Series 2014 Bonds, which Series 2014 Obligation will be secured ratably with all other obligations under the Master Indenture.

Subject to the terms of the Master Indenture, any entities that are not Members of the Obligated Group and corporations that are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become an additional Member of the Obligated Group. Pursuant to the Master Indenture, the Members of the Obligated Group and any subsequent Member of the Obligated Group are

subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and restricting, among other things, the incurrence of Indebtedness, the existence of liens on Property, consolidation and merger, the disposition of assets, the addition of Members of the Obligated Group and the withdrawal of Members from the Obligated Group.

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2014 OBLIGATION (I.E., THE MORTGAGES AND THE GROSS RECEIPTS PLEDGE) ON A PARITY WITH SUCH OBLIGATIONS, AND IN CERTAIN CIRCUMSTANCES THE LIEN ON GROSS RECEIPTS MAY BE RELEASED IN PART TO SECURE SHORT-TERM INDEBTEDNESS OR TO IMPLEMENT A SALE OF SUCH GROSS RECEIPTS, AND THE LIEN OF CERTAIN OF THE MORTGAGES MAY BE RELEASED IN WHOLE OR IN PART UNDER CERTAIN CONDITIONS AS SET FORTH HEREIN. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2014 BONDS.

#### *Security for the Series 2014 Obligation*

Pursuant to the Master Indenture, each Obligation issued thereunder will be a joint and several general obligation of NYUHC and any future Member of the Obligated Group. At the time of issuance of the Series 2014 Bonds, the Institution will be the sole Member of the Obligated Group. Under the Master Indenture, the Members of the Obligated Group may not create or suffer to be created any Lien on Property other than Permitted Liens. Among other Permitted Liens, the Liens created by the Mortgages and by the pledge of Gross Receipts are Permitted Liens. The liens created by the Mortgages include security interests in the Mortgaged Property. Other Permitted Liens include liens on equipment purchased with permitted Indebtedness, any lien on Property that secures Indebtedness and Derivative Agreements permitted by the Master Indenture and that does not exceed in the aggregate 20% of Total Operating Revenue and any lien on Excluded Property, as further described in “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Limitations on Creation of Liens.” The enforcement of the Obligations may be limited by, among other factors, (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and (v) federal bankruptcy laws, State of New York receivership or fraudulent conveyance laws or similar laws affecting creditors’ rights that may affect the enforceability of the Master Indenture. See “PART 8 – RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP – Enforceability of the Master Indenture.”

#### *Security Interest in Gross Receipts*

As security for its obligations under the Master Indenture, each Member of the Obligated Group must pledge and grant to the Master Trustee a security interest in such Member’s Gross Receipts. Gross Receipts are defined to include all receipts, revenues, income and other moneys received or receivable by or on behalf of an Obligated Group Member, including, without limitation, contributions, donations, and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, health-care-insurance receivables, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, Gross Receipts shall not include (i) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of an Obligated Group Member under a Loan Agreement or an Indenture securing an issuance of Bonds; (ii) all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member, and all rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee. Excluded Property means any real property that is not now or hereafter used by any Member of

the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services or is not otherwise a facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises.

### *The Mortgages*

To secure payments required to be made by the Institution under the Series 2014 Obligation issued under the Master Indenture, and to secure all other Obligations, NYUHC has executed and delivered the Mortgages on the Mortgaged Property to the Master Trustee, which Mortgages include a security interest in certain fixtures, furnishings and equipment located thereon. The Mortgaged Property includes certain “core” healthcare facilities of the Institution, being the NYUHC main campus, the HJD Campus, the Cancer Center, the Kimmel Pavilion and the Energy Building, including the primary site for each inpatient facility of the Institution. See “PART 7 – NYU HOSPITALS CENTER – Facilities,” for further information regarding such “core” hospital facilities. The Mortgages will secure on an equal and ratable basis all Obligations issued under the Master Indenture, including but not limited to the Series 2014 Obligation and the Parity Obligations. In addition, the Master Trustee is permitted to release or subordinate certain portions of real property and improvements constituting Health Care Facilities from the lien of the Mortgages under certain conditions set forth in the Master Indenture, which include but are not limited to releases for fair market value of property that does not materially detract from the utility of the Health Care Facilities and the proceeds of which are applied to the operation, maintenance or improvement to the Health Care Facilities or to the pro rata prepayment of the Obligations then outstanding. The Supplements to the Master Indenture entered into in connection with the issuance of the Series 2006A Bonds, Series 2007A Bonds and Series 2007B Bonds provide DASNY with the right to release the related mortgages granted to the Master Trustee for reasons within DASNY’s discretion. Such discretionary rights were not granted to DASNY with respect to the 2011 Mortgage in connection with the issuance of the Series 2011A Bonds or to any party with respect to the 2012 Mortgage, 2013 Mortgage or Taxable 2014A Mortgage in connection with the issuance of the Series 2012A Bonds, Series 2013A Bonds or Taxable 2014A Bonds, respectively. DASNY will not retain those rights with regard to the 2007B Mortgage upon the amendment of such mortgage to secure the Series 2014 Obligation in connection with the issuance of the Series 2014 Bonds. So long as the Series 2014 Bonds remain Outstanding, the Master Trustee’s right to release any portion of the Tax-Exempt 2014 Mortgage will be limited to the specific release and subordination provisions set forth in the Master Indenture at the time of release. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture.”

The Master Indenture does not require the Obligated Group to grant additional mortgages to secure future Obligations, but proceeds of the existing mortgages will secure all Obligations equally and ratably. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Security; Restrictions on Encumbering Property; Payment of Principal and Interest.”

### **Other Indebtedness**

The Members of the Obligated Group may issue additional Obligations under the Master Indenture that are secured on a parity with the Series 2014 Obligation and the Parity Obligations by the pledge of Gross Receipts and by the Mortgages. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture – Limitations on Indebtedness” for a description of the conditions under which the Members of the Obligated Group may issue additional Obligations under the Master Indenture.

Under certain conditions set forth in the Master Indenture, in addition to incurring indebtedness represented by an Obligation, the Members of the Obligated Group may incur debt in the form of indebtedness incurred by the Members of the Obligated Group individually that is not evidenced or secured by an Obligation issued under the Master Indenture. Such borrowing may be secured by liens on Property permitted under the Master Indenture, including without limitation liens on Excluded Property, without limit, or accounts receivable. See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture” for a description of various financial covenants applicable to the Institution and any other Members of the Obligated Group. **Such summaries do not reflect certain additional and more restrictive covenant requirements imposed on the Institution and any other Members of the Obligated Group by DASNY. Such additional covenant requirements apply while the Bonds issued by DASNY remain outstanding and are enforceable only by DASNY and may be waived or modified by DASNY without the consent of the Holders of the Series 2014 Bonds or the Trustee. Compliance with such covenants could prevent the Institution or any other Member of the Obligated Group from undertaking a particular**

**transaction that is otherwise permitted by the Master Indenture, which in turn might affect the operations or revenues of the Institution and any other Members of the Obligated Group. See Appendix E-2 - Summary of Certain Provisions of the Supplemental Master Indenture.”**

The Institution has certain Indebtedness outstanding. See “Appendix B – NYUHC Financial Statements as of August 31, 2014 and 2013.”

### **PART 3 - THE SERIES 2014 BONDS**

#### **General**

The Series 2014 Bonds will be issued and outstanding pursuant to the Resolution and the Series 2014 Resolution. The Series 2014 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2014 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2014 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2014 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2014 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2014 Bonds, the Series 2014 Bonds will be exchangeable for fully registered Series 2014 Bonds in any authorized denominations without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “– Book-Entry Only System” below and “Appendix D – Summary of Certain Provisions of the Resolution.”

#### **Description of the Series 2014 Bonds**

The Series 2014 Bonds will be dated their date of issuance. The Series 2014 Bonds will mature and will accrue interest from their date at the rates and at the times set forth on the cover page of this Official Statement, payable semiannually on each January 1 and July 1, commencing July 1, 2015. The Series 2014 Bonds will be offered as fully registered Bonds in denominations of \$5,000 or any integral multiples thereof. Interest on the Series 2014 Bonds will be computed on the basis of a year of twelve 30-day months. The Series 2014 Bonds may be exchanged for other Series 2014 Bonds in any other authorized denominations upon payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution. The Record Dates for the Series 2014 Bonds are December 15 and June 15. The Authority will not be obligated to make any exchange or transfer of Series 2014 Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2014 Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2014 Bonds for redemption.

#### **Redemption and Purchase in Lieu of Redemption Provisions**

The Series 2014 Bonds are subject to redemption and purchase in lieu of redemption as described below.

##### *Optional Redemption*

The Series 2014 Bonds maturing on or after July 1, 2025 are subject to optional redemption prior to maturity, at the election or direction of the Authority, on or after July 1, 2024, in any order, as a whole or in part at any time, at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

### *Special Redemption*

The Series 2014 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, at the option of the Authority, on any interest payment date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property, and which proceeds are not otherwise applied as permitted under the Master Indenture.

### *Mandatory Redemption*

In addition, the Series 2014 Bonds are subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Series 2014 Bonds specified for each of the years shown below:

<u>Series 2014 Bonds</u> <u>Maturing on July 1, 2036</u>			
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2033	\$4,800,000	2035	\$5,290,000
2034	5,040,000	2036	5,550,000

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†Final Maturity

### *Purchase in Lieu of Optional Redemption*

The Series 2014 Bonds are subject to purchase at the election of the Institution with the written consent of the Authority, prior to maturity, on the same terms that would apply to the Series 2014 Bonds if the Series 2014 Bonds were then being optionally redeemed.

### *General*

The Authority may from time to time direct the Trustee to purchase Series 2014 Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2014 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment or Sinking Fund Installment on such Series 2014 Bonds. The Institution also may purchase Series 2014 Bonds and apply any Series 2014 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2014 Bonds. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2014 Bonds will be reduced for such year.

### *Selection of Bonds to be Redeemed*

In the case of redemptions of the Series 2014 Bonds, other than mandatory redemptions, the Authority will select the principal amounts and maturities (including any Sinking Fund Installments) of the Series 2014 Bonds to be redeemed. If less than all of the Series 2014 Bonds of a maturity are to be redeemed, the Series 2014 Bonds to be redeemed will be selected by the Trustee, by lot as provided in the Resolution.

### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2014 Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2014 Bonds which are to be redeemed, at their last known

addresses appearing on the registration books of the Authority not more than ten business days prior to the date such notice is given. The failure of any such registered owner of a Series 2014 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2014 Bond.

If on the redemption date moneys for the redemption of the Series 2014 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on such Series 2014 Bonds or portions thereof will cease to accrue from and after the redemption date and such Series 2014 Bonds will no longer be considered to be Outstanding.

In addition, any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the Redemption Date of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2014 Bonds to be redeemed and that if such moneys are not so received, such notice shall be of no force and effect and such Series 2014 Bonds shall not be required to be redeemed.

#### *Notice of Purchase in Lieu of Redemption*

Notice of the purchase of the Series 2014 Bonds as described under “– Purchase in Lieu of Optional Redemption” above, will be given in the name of the Institution to the registered owners of the Series 2014 Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the purchase date specified in such notice. The Series 2014 Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2014 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2014 Bonds are called for purchase in lieu of an optional redemption, such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby and such Series 2014 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described herein.

The Institution’s obligation to purchase a Series 2014 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the purchase price for all of the Series 2014 Bonds to be purchased on the purchase date. If sufficient money is available on the purchase date to pay the purchase price of the Series 2014 Bonds to be purchased, the former registered owners of such Series 2014 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the purchase price. If sufficient money is not available on the purchase date for payment of the purchase price, the Series 2014 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the purchase date, who will be entitled to the payment of the principal of and interest on such Series 2014 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2014 Bonds are to be purchased, the Series 2014 Bonds to be purchased will be selected by lot in the same manner as Series 2014 Bonds to be redeemed in part are to be selected.

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2014 Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges



between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the 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 2014 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 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2010 Bond maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2014 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2014 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2014 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. None of the Authority, the Trustee or NYUHC will have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2014 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2014 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2014 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2014 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2014 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NONE OF THE AUTHORITY, THE TRUSTEE OR NYUHC WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2014 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2014 Bonds (other than under the caption "PART 12 — TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2014 Bonds.

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

For every transfer and exchange of Series 2014 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2014 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2014 Bonds. or (ii) a continuation of the requirement that all of the Outstanding Series 2014 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute

securities depository is found by the Authority or restricted registration is no longer in effect, Series 2014 Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

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

THE AUTHORITY, NYUHC, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2014 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2014 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2014 BONDS; OR (VI) ANY OTHER MATTER.

#### **PART 4 – PLAN OF REFUNDING**

The primary purpose for the issuance of the Series 2014 Bonds is to advance refund the Refunded Bonds.

In order to refund the Refunded Bonds, a portion of the proceeds from the sale of the Series 2014 Bonds, together with other available funds under the Resolution, will be deposited to an escrow fund with the trustee for the Refunded Bonds in an amount, together with the interest earnings thereon from the investment in direct obligations of the United States of America, necessary to pay the outstanding principal of the Refunded Bonds, which amount shall be applied to the payment of maturing principal, sinking fund installments and interest due on the Refunded Bonds until July 1, 2017 (the “Redemption Date”) and to the payment on the Redemption Date of the redemption price of the Refunded Bonds, plus accrued interest to the Redemption Date.

The mathematical accuracy of certain information and assertions provided by Wells Fargo Bank, National Association, on behalf of DASNY, relating to (a) the computations contained in certain schedules which represent that the anticipated receipts from the investments and cash deposits to be held in escrow, will be sufficient to pay, when due, the interest and redemption requirements on the Refunded Bonds, (b) the computation of yield on the Series 2014 Bonds, and (c) the computation of yield on the escrow purchased with proceeds of the Series 2014 Bonds to refund the Refunded Bonds, was verified by Samuel Klein and Company, Certified Public Accountants of New York, New York (the “Verification Agent”). Such computations were based solely upon information provided by Wells Fargo Bank, National Association, on behalf of DASNY. The Verification Agent expressed no opinion as to the appropriateness of the methodologies used in preparing such schedules or the actual existence or the attributes of the Refunded Bonds extracted from historical data. The Verification Agent made no representations as to questions of legal interpretation, and accordingly expressed no opinion with regard to any determination that the Refunded Bonds remain in compliance with existing statutes, regulations, administrative interpretations, and court decisions, and disclaimed any obligation to update its report in the future.

## PART 5 - PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS

The following table sets forth, for each respective year ending August 31, the amounts required to be made available by NYUHC in such year for (i) the payment of the principal of the Series 2014 Bonds, payable on July 1 of each such period, (ii) the interest payments coming due during each such period with respect to the Series 2014 Bonds; (iii) the total long-term debt service payments coming due during such period with respect to all other Outstanding NYUHC indebtedness (including all indebtedness evidenced by the Parity Obligations and tax-exempt equipment loans); and (iv) the total aggregate long-term debt service, which includes the Series 2014 Bonds, and all other long-term NYUHC indebtedness.

<u>12-Month Period Ending August 31,</u>	<u>Principal of Series 2014 Bonds</u>	<u>Interest on Series 2014 Bonds</u>	<u>Total Debt Service on Other NYUHC Indebtedness<sup>(1)</sup></u>	<u>Total Debt Service on all Indebtedness</u>
2015	\$ -	\$1,949,710	\$94,676,492	\$96,626,202
2016	-	3,618,019	100,190,823	103,808,842
2017	2,660,000	3,618,019	96,427,339	102,705,357
2018	2,765,000	3,511,619	90,663,046	96,939,665
2019	2,880,000	3,401,019	85,309,500	91,590,519
2020	2,935,000	3,343,419	87,562,575	93,840,994
2021	3,085,000	3,196,669	90,082,075	96,363,744
2022	3,240,000	3,042,419	89,457,825	95,740,244
2023	3,405,000	2,880,419	87,648,075	93,933,494
2024	3,570,000	2,710,169	87,209,469	93,489,638
2025	3,675,000	2,603,069	86,808,894	93,086,963
2026	3,865,000	2,419,319	90,819,619	97,103,938
2027	4,055,000	2,226,069	73,303,775	79,584,844
2028	3,820,000	2,023,319	73,017,650	78,860,969
2029	3,995,000	1,832,319	72,732,763	78,560,081
2030	4,145,000	1,687,500	72,447,500	78,280,000
2031	4,360,000	1,480,250	72,155,288	77,995,538
2032	4,565,000	1,262,250	71,869,763	77,697,013
2033	4,800,000	1,034,000	70,380,363	76,214,363
2034	5,040,000	794,000	70,089,313	75,923,313
2035	5,290,000	542,000	64,546,812	70,378,812
2036	5,550,000	277,500	64,263,462	70,090,962
2037	-	-	59,812,312	59,812,312
2038	-	-	59,520,212	59,520,212
2039	-	-	59,233,012	59,233,012
2040	-	-	58,949,212	58,949,212
2041	-	-	51,517,312	51,517,312
2042	-	-	301,229,812	301,229,812
2043	-	-	389,872,312	389,872,312
2044	-	-	318,628,474	318,628,474
TOTAL:	\$77,700,000	\$49,453,073	\$3,090,425,081	\$3,217,578,153

<sup>(1)</sup> Includes scheduled debt service requirements on the long-term obligations recorded in the NYUHC Financial Statements, including the Parity Obligations and tax-exempt equipment loans. Interest on the \$150 million taxable term loan funding the Musculoskeletal Center and Ambulatory Center at 333 East 38<sup>th</sup> Street is estimated to be 0.95% through May 1, 2019 and 5.75% from May 1, 2019 through May 1, 2044. Excludes bank lines of credit. Although these facilities have a term in excess of one year, they are intended to be used for short term purposes, including bridge financing in anticipation of permanent financing, and debt service on these facilities is amortized over a long term under the Master Indenture. As of August 31, 2014, NYUHC had drawn \$200 million under lines of credit with Bank of America, N.A., TD Bank, N.A. and Wells Fargo, N.A. (the "Credit Line Lenders") and repaid \$150 million in September 2014. As of November 1, 2014, NYUHC had \$50 million outstanding under the lines of credit with TD Bank, N.A. and Wells Fargo, N.A. NYUHC used \$50 million of the Taxable 2014A Bond proceeds to repay outstanding portions of the lines of credit used for funding Energy Building related costs. An affiliate of Wells Fargo, N.A. is an underwriter for the Series 2014 Bonds. Excludes debt service on the Series 2007B Bonds, which are being refunded with the proceeds of the Series 2014 Bonds, and includes debt service on the Taxable 2014A Bonds.

## PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2014 Bonds:

### Sources of Funds

Principal Amount of Series 2014 Bonds	\$77,700,000
Original Issue Premium	9,586,623
Other Available Funds Under the Resolution	<u>9,564,617</u>
	<u>\$96,851,240*</u>

### Uses of Funds

Refunding of the Refunded Bonds	\$95,737,959
Costs of Issuance and Related Costs <sup>(1)</sup>	630,751
Underwriters' Discount	<u>482,531</u>
	<u>\$96,851,240*</u>

<sup>(1)</sup> Includes fees and expenses of Bond Counsel and counsel to NYUHC, rating agency fees, bond issuance charges, and Trustee and Master Trustee fees.

\* Totals may not add due to rounding.

## PART 7 - NYU HOSPITALS CENTER

### Introduction and Background

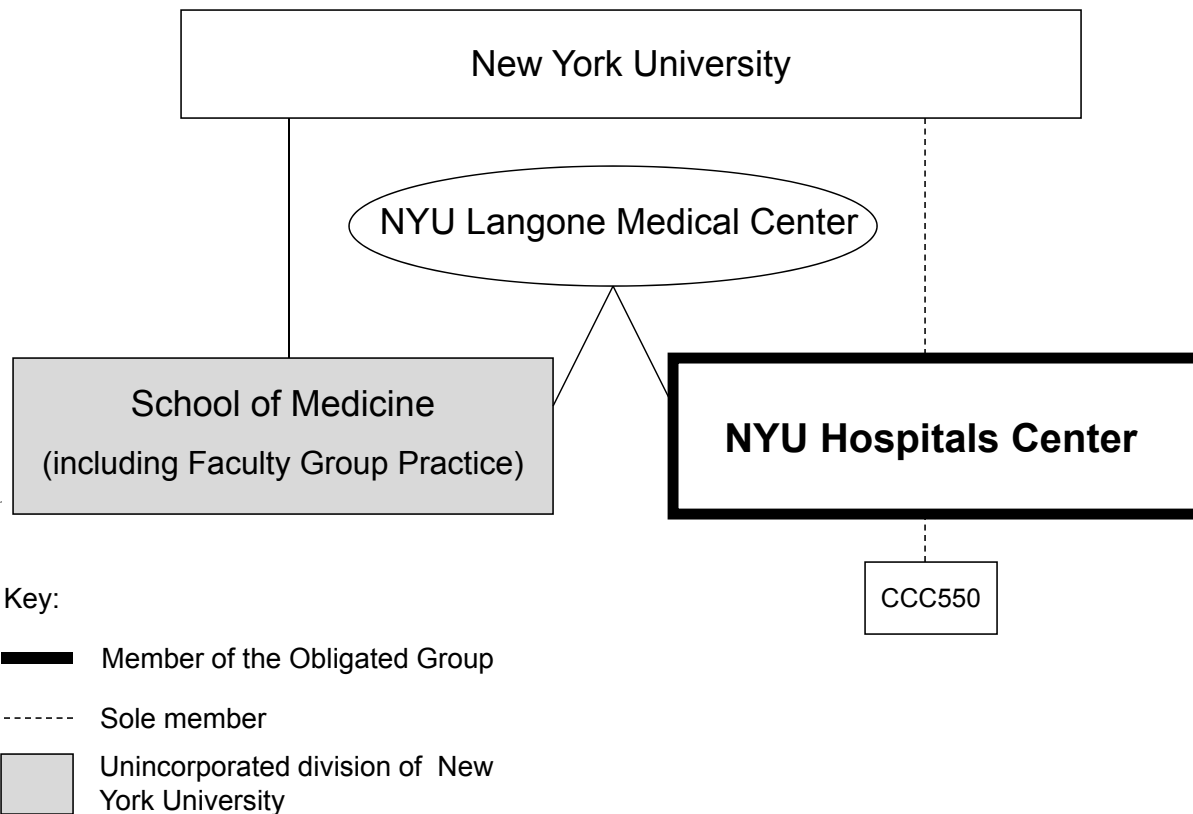
The following information is provided by NYU Hospitals Center ("NYUHC" or the "Hospital") in connection with the issuance of its Series 2014 Bonds. NYUHC is a tertiary care teaching hospital located in midtown Manhattan and is the principal teaching hospital of the New York University School of Medicine ("NYUSM"). NYUHC traces its origins to 1882, when the New York Post-Graduate Hospital was founded. Known by the 1940s as University Hospital, it began to conduct business in 1947 as "NYU Medical Center" in conjunction with NYUSM. Since the 1920s and throughout a number of reorganizations and mergers, the hospital that is now known as NYUHC has been affiliated with, and at one time was an unincorporated division of, New York University ("NYU" or the "University"). The University is the sole member of NYUHC, which operates with NYUSM as an integrated academic medical center known as NYU Langone Medical Center (the "Medical Center").

NYUHC owns (a) two inpatient acute care facilities, (i) Tisch Hospital ("Tisch Hospital"), located on the campus shared with NYUSM at 550 First Avenue (the "First Avenue Campus"), and (ii) NYU Hospital for Joint Diseases Orthopaedic Institute ("NYUHJD"), an orthopaedic, neurologic and rheumatologic specialty hospital located at 301 East 17th Street, which also houses the Rusk Institute of Rehabilitation Medicine (the "Rusk Institute"), and (b) several ambulatory facilities in Manhattan and Brooklyn. The Manhattan ambulatory facilities, all located within several blocks of the First Avenue Campus, include the Laura and Isaac Perlmutter Cancer Center (the "Cancer Center"), the Ambulatory Care Center (the "Ambulatory Center"), the Center for Musculoskeletal Care (the "Musculoskeletal Center"), the Ambulatory Surgery Center (the "Ambulatory Surgery") and Hassenfeld Children's Center (the "Hassenfeld Center"). The Brooklyn facilities are the Brooklyn Endoscopy and Ambulatory Surgery Center in the Midwood section, Levit Medical, which has locations in the Canarsie, Bensonhurst and Midwood sections of Brooklyn, and the recently opened, free-standing Emergency Department in Cobble Hill. (See "Campus Transformation" for a discussion of the demolition of the building which previously housed the Rusk Institute and other changes to certain of the inpatient facilities on the First Avenue Campus.)

Of the \$2.0 billion in net patient service revenue for NYUHC for 2014, 49.5% is attributable to care provided at NYUHC's inpatient facilities with the remaining 50.5% coming from NYUHC's outpatient services.

**NYUHC IS THE SOLE MEMBER OF THE OBLIGATED GROUP. NEITHER NYU NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2014 BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2014 BONDS.**

For a discussion of the Hospital’s affiliation with NYUSM, see “Affiliation with NYU School of Medicine.” For a discussion of the effects of Superstorm Sandy in Fall 2012 on the Hospital’s facilities, see “Superstorm Sandy Overview.” Unless otherwise indicated, all references to financial and statistical data are for NYUHC only and refer to the fiscal year ended August 31, and all references to municipalities are located in the State of New York.



**Note:** Neither New York University nor its School of Medicine are obligated with respect to the Series 2014 Bonds. No assets or revenues of New York University or its School of Medicine are pledged to secure or available to pay debt service with respect to the Series 2014 Bonds. CCC550, NYU Hospitals Center’s wholly owned captive insurance company, is also not obligated with respect to the Series 2014 Bonds and no assets or revenues of CCC550 are pledged to secure or available to pay debt service with respect to the Series 2014 Bonds.

## Scope of Services

NYUHC provides a full range of tertiary level adult and pediatric medical and surgical services and obstetrics and is licensed to operate 1,069 beds as shown below. Its services include cardiac surgery, treatment for cardiovascular diseases, dermatology, gastroenterology, hematology, obstetrics/gynecology, oncology, neurology, infectious diseases, urology, general surgery, thoracic surgery, neurosurgery, ophthalmology, otolaryngology, reconstructive plastic surgery, vascular surgery, transplant services, orthopaedic surgery, reproductive endocrinology, rheumatology, radiology surgery, treatment for epilepsy, psychiatry and physical medicine and rehabilitation. NYUHC has an advanced gamma knife for neurosurgery and four robotic systems for minimally invasive urological, gynecological, thoracic, cardiac and colorectal surgeries.

As of September 25, 2014, 718 beds were available (excluding beds in bays in the Emergency Department and the post-operative care units). NYUHC has reduced available beds in physical medicine and rehabilitation due to the closing and demolition of the building housing the Rusk Institute in preparation for construction of a new clinical pavilion to be constructed on the First Avenue Campus (see “Campus Transformation”) along with other temporary closures due to construction projects.

### NYUHC Licensed Beds As of September 25, 2014

	<u>Tisch</u>	<u>NYUHJD</u>	<u>Total</u>
Medical-Surgical	443	144	587
Intensive Care	37		37
Coronary Care	6		6
Bone Marrow Transplant	6		6
<b>Total Medical-Surgical</b>	<b>492</b>	<b>144</b>	<b>636</b>
Pediatric	39		39
Pediatric Intensive Care	9		9
Maternity	36		36
Psychiatry	22		22
Physical Medicine and Rehabilitation	139	51	190
Traumatic Brain Injury		23	23
Coma recovery		7	7
Special Use	82		82
Neonatal Intensive Care	7		7
Neonatal Intermediate Care	18		18
<b>Total Non-Medical-Surgical</b>	<b><u>352</u></b>	<b><u>81</u></b>	<b><u>443</u></b>
<b>Total</b>	<b>844</b>	<b>225</b>	<b>1,069</b>

NYUHC is the recipient of several awards for its national prominence in patient care:

- In 2014, for the second year in a row, the Hospital was ranked number one in the country for overall patient safety and quality among the 104 leading academic medical centers in this category by the University Health System Consortium.
- For the last three years in a row, the Hospital was ranked in the top fifteen hospitals nationwide by *U.S. News and World Report*, and in 2014 the Hospital was recognized with 13 nationally ranked specialties, including five specialties in the top 10.
- For the last three years in a row, the Hospital was ranked number two by *U.S. News and World Report* in New York State and the New York Metro area.

- For 2014, NYUHC was the only hospital in New York State to receive top 10 national rankings by *U.S. News & World Report* for all three musculoskeletal specialty areas of orthopaedics, rheumatology and rehabilitation.
- In 2014, the Rusk Institute was again ranked the best rehabilitation program in New York State and among the top 10 in the country, a national ranking it has held for 25 years since *U.S. News & World Report* instituted its annual “Best Hospitals” rankings in 1989.
- NYUHC received The Joint Commission’s Gold Seal of Approval.
- NYUHC is a three-time recipient of the Magnet Award for nursing excellence, an honor achieved by fewer than two percent of hospitals in the nation.
- In 2012, NYUHC was first among the nation’s academic medical centers for overall recommended care and surgical care on [whynotthebest.org](http://whynotthebest.org).
- NYUHC is a Thomson Reuters Top 50 Cardiovascular Hospitals 2012 Award winner, the only hospital in New York State with this distinction.
- NYUHC has been a recipient of the Niagara Health Quality Coalition’s New York State Hospital Report Card Honor Roll for patient safety and quality in 2009, 2010, 2011 and 2013.
- NYUHC was awarded an “A” Hospital Safety Score from Leapfrog in May 2013 for excellence in patient safety.
- In 2014, the fourth consecutive year, the Hospital was a recipient of the “Get With The Guidelines” Stroke Gold-Plus Quality Achievement Award from the American Heart Association/American Stroke Association.

## **Facilities**

The First Avenue Campus, which spans 30<sup>th</sup> to 34<sup>th</sup> Street on First Avenue, houses Tisch Hospital, Schwartz Healthcare Center (“HCC”) and other buildings shared with NYUSM. Located within blocks of the First Avenue Campus are the NYUHJD campus at 301 East 17<sup>th</sup> Street (the “HJD Campus,” which includes the operations of the Rusk Institute), the Cancer Center at 160 East 34<sup>th</sup> Street, the Ambulatory Center at 240 East 38<sup>th</sup> Street, the Musculoskeletal Center at 333 East 38<sup>th</sup> Street, Ambulatory Surgery at 339 East 38<sup>th</sup> Street and the Hassenfeld Center at 160 East 32<sup>nd</sup> Street.

The First Avenue Campus is a condominium with all units owned by either NYUHC or NYU. The NYUHC-owned units are dedicated to inpatient and outpatient clinical care and ancillary and support services and the NYU-owned units house medical, educational and research facilities. The following table lists the buildings and condominium units owned by NYUHC and indicates the year of construction, the approximate gross square footage and the principal facilities or services provided by NYUHC therein.



**NYUHC Buildings and Condominium Units  
As of August 31, 2014**

<u>Building Location</u>	<u>Approximate Building Square Footage</u>	<u>Year of Construction</u>	<u>Uses</u>
<b><i>NYUHC Owned Buildings</i></b>			
660 First Avenue	108,686	1906	Administration, with portions leased to NYUSM
301 East 17 <sup>th</sup> Street*	338,510	1979	NYUHJD, inpatient, outpatient, administration
Cancer Center*	117,469	2004	Outpatient services, radiation oncology,
160 East 34 <sup>th</sup> Street			diagnostic radiology, breast cancer, breast surgery, administration
<b><i>NYUHC Condominium Units at First Avenue Campus</i></b>			
550 First Avenue*	394,405	1963	Tisch Hospital, inpatient, outpatient, administration, support
550 First Avenue*	22,790	1969	Tisch Hospital
<b><i>NYUHC Condominium Units at the Ambulatory Center at 240 East 38th Street</i></b>			
240 East 38 <sup>th</sup> Street	334,000	2012	Clinical labs, multiple sclerosis, rehabilitation, dermatology, pre-admission testing, infusion, oncology
<b><i>Musculoskeletal Center and Ambulatory Surgery at 333-339 East 38th Street (long term lease)</i></b> <sup>§</sup>			
333 East 38th Street	132,766	1928	Ambulatory surgery center and Musculoskeletal Center

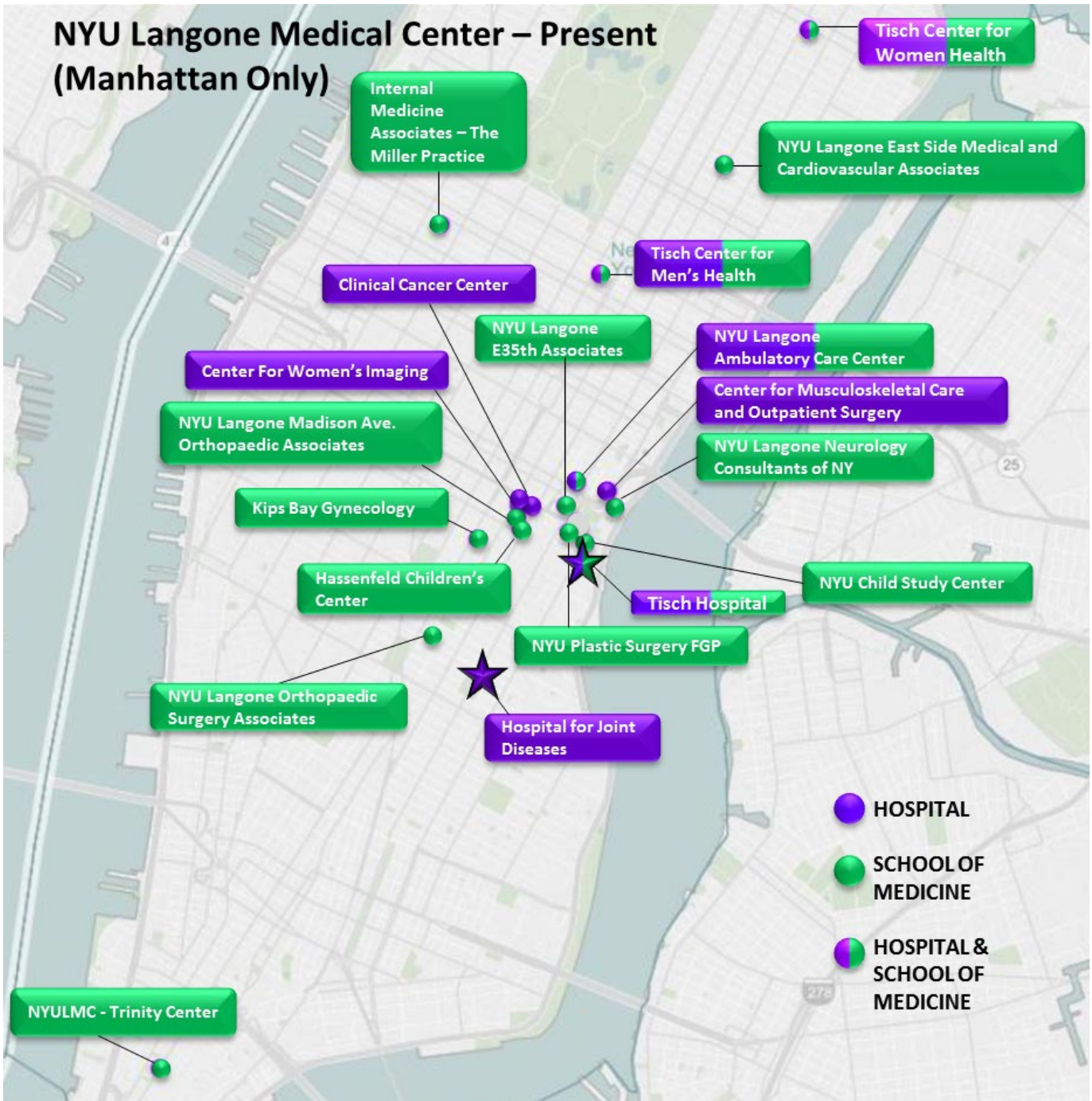
*Source: NYUHC records.*

\* These facilities are “core” Hospital facilities and the condominium units are included in the Mortgaged Property (as defined in the forepart of the Official Statement). Areas indicated represent total tax lot areas.

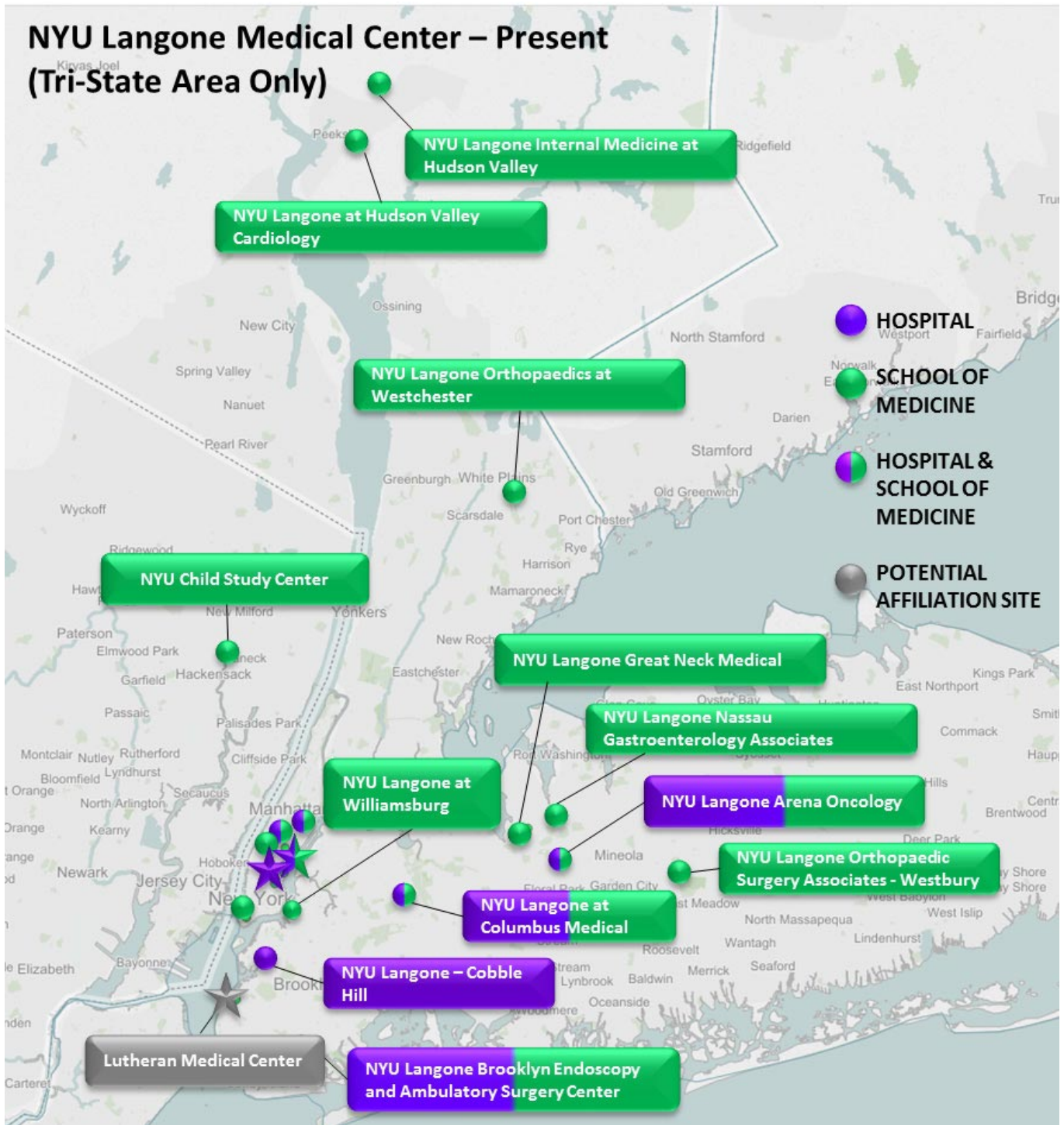
§ NYUHC acquired a 73 year leasehold interest in the building, underlying land and related fixtures and personal property in May, 2014. The total square footage of the building is 476,227, of which 343,461 rentable square feet is subject to existing leases to unrelated third parties.

In addition to the facilities listed above, NYUHC owns two clinical facilities in Brooklyn and leases property totaling approximately 307,983 rentable square feet in Manhattan (including the Hassenfeld Center) and 66,233 rentable square feet in Brooklyn for administrative, support and clinical uses. Gross receipts generated from NYUHC health care facilities, whether or not part of the Mortgaged Property, secure NYUHC’s Obligations under the Master Indenture. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Obligations under the Master Indenture – *Security Interest in Gross Receipts.*”

# NYU Langone Medical Center – Present (Manhattan Only)



# NYU Langone Medical Center – Present (Tri-State Area Only)



## **Superstorm Sandy Overview**

On October 29, 2012, Superstorm Sandy (the “Storm”) struck New York City and caused widespread damage in lower Manhattan, with flooded streets, tunnels and subway lines. Explosions at the Con Edison facilities cut off electricity to most of lower Manhattan, including the First Avenue Campus. The Storm flooded the basements of several buildings on NYUHC’s First Avenue Campus, and seriously damaged critical infrastructure and equipment contained therein. As a precautionary measure, non-emergency services were cancelled and patients were evacuated from the First Avenue Campus in advance of and during the Storm.

A phased re-opening of NYUHC facilities began shortly after the Storm subsided, beginning with the November 5-9, 2012 re-opening of the Cancer Center, Ambulatory Surgery, Hassenfeld Center, Ambulatory Center and Musculoskeletal Center. A phased re-opening of services at the First Avenue Campus began on December 17, 2012 with HCC, and, beginning on December 27, 2012 through January 14, 2013, services were restored in Tisch Hospital with the exception of inpatient psychiatry, inpatient cardiac rehabilitation, certain infusion services and dialysis and the relocation of pediatric rehabilitation beds to the HJD Campus. By July, 2013, NYUHC relocated the pediatric rehabilitation beds to the HJD Campus and re-opened all services on the First Avenue Campus except for the Emergency Department (“ED”), which, in the initial stage of a major renovation and expansion, had been temporarily replaced by an Urgent Care Center opened on January 14, 2013, staffed by ED clinicians to handle walk-in and other urgent care cases (excluding 911 ambulance calls). Upon the opening of the renovated and expanded ED on April 22, 2014, the Urgent Care Center was closed.

For a discussion of certain financial consequences of Superstorm Sandy in October, 2012 on the operations of NYUHC, see “Summary of Historical Revenues and Expenses – Overview.”

## **Strategic Initiatives**

NYUHC’s on-going strategic goals include the following:

- Achieving superior quality and access to patient care
- Targeting growth opportunities in strategic service areas such as cardiology, oncology, musculoskeletal, neuroscience, pediatrics, obstetrics and gastroenterology
- Expanding physician and facility networks across a broad geographic region
- Recruiting physicians in key specialty areas
- Securing philanthropic commitments
- Improving efficiency throughout the organization
- Expanding ambulatory care
- Focusing on enterprise-wide management structure, measuring real time performance through a comprehensive dashboard for tracking key operating and financial metrics

NYUHC’s approach to achieving these goals has been based on a number of key initiatives, including the re-tooling and enhancing of the patient-centered hospital by: coordinating patient care through the use of EPIC, an electronic medical records system across all clinical settings; reducing length-of-stay; improving inpatient bed capacity management; providing weekend elective procedures; decreasing admissions for preventable conditions; improving cost structure and staffing efficiencies; and increasing service-throughput in cost-effective ways.

Ambulatory services have also been a major focus. In addition to the Cancer Center and the 20,000 square foot Hassenfeld Center, opened in 2004 and 2006, respectively, in the last three years NYUHC has opened the Musculoskeletal Center (83,300 square feet), the Ambulatory Center (330,000 square feet), the Ambulatory Surgery (18,900 square feet) and an extension clinic at NYUSM’s Joan H. Tisch Center for Women’s Health, an 18,000 square feet multispecialty physician practice on the Upper East Side of Manhattan.

NYUHC has recently expanded into Brooklyn with the opening of the 11,000 square foot Brooklyn Endoscopy and Ambulatory Surgery Center in the Midwood section of Brooklyn and Levit Medical, a diagnostic and treatment facility with three locations in the Canarsie, Midwood and Bensonhurst sections of Brooklyn totaling 23,000 square feet and, as of October 31, 2014, the free-standing Emergency Department in Cobble Hill, which was

formerly the emergency department of the Long Island College Hospital (“LICH”). Pursuant to written agreements among NYUHC, the State University of New York (“SUNY”) and Fortis Property Group (“Fortis”), Fortis will develop for residential purposes a portion of the property on which LICH previously operated. Currently, NYUHC is subleasing from Fortis the facility in which NYUHC is providing emergency department services but following demolition and remediation of adjacent premises, SUNY is expected to deed the cleared site to NYUHC at no cost. NYUHC expects to construct on the site a four-story, approximately 125,000 square foot medical services building housing a freestanding emergency department, ambulatory surgery center, imaging site, clinical laboratory, cancer center, endoscopy suite and physicians’ offices, with approximately 100 medical personnel. NYUHC expects to commit up to \$170 million for construction of the new medical services building.

NYUHC has entered into a non-binding letter agreement with Lutheran Medical Center (“LMC”) concerning a potential affiliation transaction and is working actively to complete documentation of the proposed transaction. The governing boards of NYUHC, LMC, and the University have approved the proposed affiliation. LMC, an acute care hospital licensed to operate 450 beds, is located in the Sunset Park section of Brooklyn, with a number of health care affiliates, including a federally qualified health center with multiple sites (collectively, the “LMC System”). NYUHC’s affiliation with the LMC System is expected to expand NYUHC’s clinically integrated network, primarily with respect to NYUHC’s ambulatory base in the Borough of Brooklyn. Based on the audited financial statements of the LMC System, for the fiscal year ended December 31, 2013, LMC System had total revenues of \$665.7 million and total assets of \$660.1 million.

As currently contemplated, the LMC System affiliation would involve the formation of a new intermediate holding company as a parent company of NYUHC and LMC, with the remaining entities of the LMC System controlled directly or indirectly by the new holding company. NYU would be the sole corporate member of the new holding company. NYUHC expects to commit funding to the proposed affiliation through a combination of grants and loans in the amount of up to approximately \$150.0 million over a period of approximately five years and will seek to improve the operations of the LMC System and realize cost efficiencies pursuant to the affiliation. There is no current expectation that LMC would join the Obligated Group, and neither NYUHC nor any of its affiliates will assume liability for the long-term debt of LMC or its affiliates. The University has not agreed to guarantee the debt of LMC or its affiliates.

Completion of the proposed affiliation with the LMC System is subject to various regulatory approvals. There can be no assurance that such negotiations will be completed or that all necessary regulatory approvals will be obtained.

NYUHC is also considering affiliating with other acute care hospitals located outside of Manhattan in areas where the Hospital believes that there may be a sufficient number of NYUHC-affiliated physicians to support such an affiliation. No letters of intent or other binding documents have been executed in connection with such potential affiliations, and there can be no assurance any affiliations will be completed.

## **Technology**

In 2010, NYUHC and NYUSM began the implementation of a fully integrated, patient-centric clinical and patient financial information system based on EPIC software. The initial implementation focused on the NYUSM faculty group practice (see “Affiliation with NYU School of Medicine”). In 2011, NYUHC’s professional billing, registration and scheduling systems and certain outpatient clinical systems were transitioned onto EPIC, and from December 2012 through January 2013, transition of the inpatient clinical system was completed. As of September 30, 2014, the EPIC platform has been implemented throughout all inpatient and ambulatory centers and most NYUSM’s offices, and will continue to be implemented as additional physician practices are acquired by NYUSM.

## **Campus Transformation**

In 2007, the Medical Center Board of Trustees approved a campus transformation plan for the First Avenue Campus. In accordance with the plan, NYUHC has completed demolition of the Rusk Institute and Perelman buildings and associated connecting areas in preparation for construction of a new clinical facility (the “Kimmel Pavilion”) and the Energy Building, as described below; completed a major elevator modernization and lobby renovation of Tisch Hospital (funded entirely through philanthropy); and completed the renovation and expansion of the ED from 6,900 to 16,900 feet. The plan also calls for construction by NYUSM of a 300,000 square foot Science



Building to house NYUSM’s research facilities (which will be funded by NYU). NYUHC has received substantially all regulatory approvals and building permits for the Kimmel Pavilion and the Energy Building.

- Kimmel Pavilion: The 830,200 square foot, 22-story pavilion will have 374 single-bedded rooms, 32 operating rooms and procedure rooms and outpatient services. Construction began in November 2013 and is anticipated to extend over four years.
- Energy Building: The approximately 75,000 square foot facility will house a cogeneration and electric service plant serving the entire First Avenue Campus. The Energy Building will also house NYUHC’s Department of Radiation Oncology. Construction started in Summer 2012, with an expected completion date in mid-2016.

NYUHC plans to fund construction and related capital requirements of the Kimmel Pavilion and the Energy Building first through debt (including from proceeds of the Taxable 2014A Bonds), second (but with respect to the Kimmel Pavilion only) through philanthropic gifts received pursuant to the Medical Center’s capital campaign, third, from cash flows from NYUHC’s operations and finally, and subject to availability, from proceeds of payments received from the Federal Emergency Management Agency (“FEMA”) relating to Superstorm Sandy (see “Management’s Discussion of Recent Financial Performance - *Effects of Superstorm Sandy*”). NYUHC has also established an internally designated fund which may be used by NYUHC to fund the Kimmel Pavilion and the Energy Building to the extent debt, philanthropy and cash flows sources are insufficient. As of August 31, 2014, this internal fund consisted of \$487 million of unrestricted assets. NYUHC plans to use approximately \$300 million of the proceeds of the Taxable 2014A Bonds for the construction of the Kimmel Pavilion and the Energy Building. The table below sets forth the estimated amounts of debt, philanthropy and cash that NYUHC anticipates, depending on market conditions and other factors, it will use to fund construction and related capital requirements of each of the Kimmel Pavilion and the Energy Building.

**Estimated Sources of Funding for Campus Transformation  
As of November 1, 2014**

(\$ in millions)	<u>Debt</u>	<u>Philanthropy<sup>(2)</sup></u>	<u>Cash Flows from Operations</u>	<u>FEMA<sup>(3)</sup>/NIH</u>	<u>Total</u>
<b>Kimmel Pavilion</b>	\$480 <sup>(1)</sup>	\$541 <sup>(2)</sup>	\$363	\$22	<b>\$1,406</b>
<b>Energy Building<sup>†</sup></b>	\$170 <sup>(1)</sup>	\$0	\$58	\$15	<b>\$243</b>

*Source: NYUHC records.*

<sup>(1)</sup> NYUHC expects to apply proceeds of the Taxable 2014A Bonds in the amount of \$300 million to finance the remaining portion of the planned \$650 million to fund the Kimmel Pavilion and the Energy Building. Specifically, NYUHC plans to use (a) \$250 million of the proceeds of the Taxable 2014A Bonds to fund capital requirements related to the Kimmel Pavilion, and (b) \$50 million of Taxable 2014A Bond proceeds to fund capital requirements related to the construction of the Energy Building, which includes repayment of \$50 million of the existing lines of credit with TD Bank, N.A. and Wells Fargo, N.A. NYUHC applied \$230 million of the proceeds of the Series 2013A Bonds to fund capital requirements related to the Kimmel Pavilion and \$120 million of the proceeds of the Series 2013A Bonds to fund capital requirements of the Energy Building.

<sup>(2)</sup> As of October 31, 2014, the Medical Center had received an aggregate of \$428.9 million in cash and pledges allocated to NYUHC for use in connection with the construction of the Kimmel Pavilion, including a total of \$210.26 million in cash received as of August 31, 2014. This does not include cash received on pledge amounts of less than \$1 million.

<sup>(3)</sup> Application of FEMA funds is subject to availability as noted above.

<sup>†</sup> The Energy Building estimates do not include costs associated with the relocation of the Radiation Oncology Department to the Energy Building, which costs are to be separately financed by NYUHC.

**Affiliation with NYU School of Medicine**

NYUHC is the principal teaching hospital for NYUSM, which is one of 13 component schools of NYU. Founded in 1841 as the 19th chartered school of medicine in the United States, NYUSM follows the traditional tripartite mission of American medical schools – education, research and patient care – with an educational

continuum that spans medical and doctoral students, post-doctoral trainees, house staff and thousands of physicians in continuing education programs. Its residency and fellowship programs provide graduate training to approximately 1,100 residents and fellows in 66 programs. NYUSM has training affiliations with 12 medical centers, including NYUHC's Tisch Hospital, Bellevue Hospital Center, Lenox Hill Hospital, Memorial Sloan Kettering Cancer Center, Jamaica Hospital, Woodhull Hospital, Maimonides Medical Center, the Manhattan Veterans' Administration Medical Center, Gouverneur Diagnostic and Treatment Center and Coler and Goldwater Specialty Hospital. The relationship with Bellevue Hospital, the oldest public hospital in the United States, is unique among United States medical schools and is a major component of NYUSM's educational enterprise as well as a commitment by NYUSM to the people of New York City.

In the past seven years NYUSM has moved from 34th place to 19th place in U.S. News & World Report's Best Research –Intensive Medical Schools in 2014. According to the Blue Ridge Institute for Medical Research, NYUSM's rank in NIH funding among schools of medicine nationally increased from 35th in 2008 to 21st in 2013.

NYUSM owns and operates a faculty group practice (the "Faculty Group Practice") that delivers patient care and, as of October 31, 2014, employs 1,550 physicians across all clinical departments of the Hospital, including anesthesiology, radiology, cardiovascular surgery, vascular surgery and radiation oncology, with specialties ranging from pediatric cardiac surgery and post-traumatic stress syndrome to hematological malignancies and diabetes. With practices located in Manhattan, Queens, Brooklyn, Staten Island, Westchester and Long Island, NYUSM continues to focus on developing ambulatory sites and multispecialty practices to build a clinical network that is responsive to health care reform.

NYUHC and the University Physician Networks LLC ("UPN"), a network of approximately 2,490 independent and Faculty Group Practice physicians, formed NYUPN Clinical Integrated Network, LLC, a New York limited liability company, in December 2012, through which the Hospital and the UPN physicians jointly contract with certain payors.

#### **Financial Support of NYU School of Medicine**

NYUHC has committed to provide financial support to NYUSM for joint clinical, research, and teaching programs contingent on NYUHC meeting certain operating income targets. Typically, NYUHC negotiates the level of such mission support payments each year with NYUSM. NYUHC has made mission support payments to NYUSM of \$30 million in 2014 and \$35.7 million in 2013 and has budgeted \$50 million for a mission support payment in 2015.

**NEITHER NYU NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2014 BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2014 BONDS.**

#### **Affiliated Entities**

NYUHC is the sole owner of CCC550 Insurance, SCC ("CCC550"), a captive insurance company, sole member of 34th Street Cancer Center, Inc., a New York not-for-profit, and has ownership interests in certain other captive insurance companies (see footnote 7 to the audited financial statements of NYUHC attached to the Official Statement as Appendix B) and in Healthfirst, Inc., a New York not-for-profit corporation formed by 22 voluntary hospitals in New York City and Long Island that owns a number of subsidiary health plans licensed by New York State and the Centers for Medicare & Medicaid Services ("CMS") to provide health benefits to Medicaid, Medicare and commercial beneficiaries.

**THE AFOREMENTIONED AFFILIATED ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NOT OBLIGATED ON THE SERIES 2014 BONDS, NOR ARE THEIR ASSETS OR REVENUES PLEDGED TO SECURE THE SERIES 2014 BONDS.**

## Governance and Executive Staff

### *Trustees of NYUHC*

In its capacity as sole member of NYUHC, the University has elected the same individuals to serve as members of NYUHC's Board of Trustees (the "Board") and the NYU School of Medicine Advisory Board, which function jointly as the Medical Center Board of Trustees. The Medical Center Board of Trustees meets eight times a year and trustees are elected to three-year terms. The following is a list of the voting members of the Medical Center Board of Trustees and their business affiliations as of October 31, 2014.

<b><u>Trustee Name</u></b>	<b><u>Company Affiliation</u></b>
William R. Berkley	Chairman & CEO, W.R. Berkley Corp.
Robert Berne ( <i>ex officio</i> )	Executive Vice President for Health, NYU
Edgar Bronfman, Jr.	General Partner, Accretive
Susan Block Casdin	Philanthropist
Kenneth I. Chenault	Chairman and CEO, American Express Company
Gary D. Cohn	President and COO, Goldman Sachs & Co.
William J. Constantine	Managing Director, Legg Mason Investment Counsel
Jamie Dimon*	Chairman of the Board and CEO, JP Morgan Chase
Martin Dorph	Executive Vice President, Finance & Information Technology, NYU
Fiona B. Druckenmiller	Philanthropist and Founder of FD Gallery
James J. Dunne, III	Senior Managing Principal, Sandler, O'Neill + Partners, L.P.
Laurence D. Fink (Co-Chair)	Chairman and CEO, BlackRock Financial Management
Lori Fink	Philanthropist
Paolo Fresco	Philanthropist
Jay M. Furman	Principal, RD Management Corp.
Trudy E. Gottesman	Philanthropist
Robert I. Grossman, M.D. ( <i>ex officio</i> )	Dean and CEO, NYU Langone Medical Center
Jacqueline S. Harris Hochberg	Philanthropist
Paul Tudor Jones	Founder, Chairman & CEO, Tudor Investment Group
Mel Karmazin	Philanthropist
Helen L. Kimmel	The Helen Kimmel Foundation
Kenneth G. Langone (Chair)	President and CEO, Invemed Associates, LLC
Sidney Lapidus	Partner (retired) , Warburg Pincus LLC
Thomas H. Lee	President, Thomas H. Lee Capital, LLC
Laurence C. Leeds, Jr.	Chairman, Buckingham Capital Management
Martin Lipton, Esq.	Partner, Wachtell, Lipton, Rosen & Katz
Stephen F. Mack	Principal, Mack Real Estate Group
Louis Marx, Jr.	President and CEO, Brae Capital Corporation
Sir Deryck C. Maughan	Managing Director & Chairman of KKR Asia, Kohlberg Kravis Roberts & Company
Roberto A. Mignone	Founder and President, Bridger Management
Edward J. Minskoff	President, Edward J. Minskoff Equities, Inc.
Thomas K. Montag*	Co-Chief Operating Officer, Bank of America
Darla Moore	Executive Vice President, Rainwater, Inc.
Thomas S. Murphy, Sr.	Chairman/CEO (retired), Capital Cities/ABC, Inc.
Thomas S. Murphy, Jr.	Managing Director, Crestview Partners LLC
Eileen Newman	President, MyFace
Frank T. Nickell	President and CEO, Kelso & Company
Michael E. Novogratz	President and Director, Fortress Investment Group, LLC
Debra Perelman	Senior Vice President, MacAndrews & Forbes Holdings, Inc.
Ronald O. Perelman	Chairman and CEO, MacAndrews & Forbes Holdings, Inc.
Isaac Perlmutter	CEO, Marvel Enterprises
Laura Perlmutter	Philanthropist
Douglas A. Phillips, CPA	Chairman and Managing Partner, WeiserMazars, LLP
Alan Rappaport	Vice Chairman, Roundtable Investment Partners LLC



**Trustee Name****Company Affiliation**

Linda Gosden Robinson	Global Head of Marketing and Communications, BlackRock Financial Management
Daniel Rosenbloom, Esq.	Senior Managing Director, First Manhattan Company
E. John Rosenwald, Jr.*	Vice Chairman Emeritus, JP Morgan
Alan D. Schwartz	Executive Chairman, Guggenheim Partners LLC
Barry F. Schwartz	Executive Vice President & Chief Administrative Officer, McAndrews & Forbes Holdings Inc.
Bernard L. Schwartz	Chairman and CEO, BLS Investments LLC
John E. Sexton ( <i>ex officio</i> )	President, NYU
Larry A. Silverstein	President and CEO, Silverstein Properties, Inc.
Joel E. Smilow	Chairman, Dinex Group, LLC
Norma Kaplan Smith	Philanthropist
Carla Solomon, Ph.D.	Philanthropist
William C. Steere, Jr.	Chair Emeritus, Pfizer Inc.
Daniel Sundheim	Co-Chief Information Officer, Viking Global Investors
Alice M. Tisch	Philanthropist
Thomas J. Tisch	Managing Partner, Four Partners and Chancellor, Brown University
Jan T. Vilcek, M.D., Ph.D.	Professor of Microbiology, NYUSM, and Philanthropist
Bradley J. Wechsler	Chairman of the Board, IMAX Corp.
Anthony Welters, Esq.	Executive Vice President, UnitedHealth Group

\* These Board members are affiliated with either JP Morgan Securities, LLC (“JP Morgan”) or Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”). JP Morgan and Merrill Lynch are serving as underwriters for the Series 2014 Bonds.

The Board also has a Board of Overseers comprised of non-voting members.

*Executive Staff***Robert I. Grossman, M.D., age 67**

Dr. Grossman assumed the position of Chief Executive Officer of NYUHC and Dean of NYUSM on July 1, 2007 following his six-year tenure as the Louis Marx Professor of Radiology, Chairman of the Department of Radiology, and Professor of Neurology, Neurosurgery, and Physiology and Neuroscience at NYU. In his previous position at the Hospital of the University of Pennsylvania, he had been Professor of Radiology, Neurosurgery, and Neurology; Chief of Neuroradiology; and Associate Chairman of Radiology.

Dr. Grossman received the Javits Neuroscience Investigator Award by the National Institutes of Health (“NIH”) in 1999 for his work on multiple sclerosis. He was a member (1995-2000) and Chairman (1997-2000) of the Diagnostic Radiology Study Section at NIH and was appointed to the NIH’s National Advisory Council for Biomedical Imaging and Bioengineering (2003-2007). In 2004, he became the first recipient of the American Society of Neuroradiology Education and Research Foundation’s annual Outstanding Contributions in Research Award in recognition of lifelong accomplishment and consistent excellence in clinical neuroscience. In 2010, he received the International Society in Magnetic Resonance in Medicine’s Gold Medal for his pioneering research in magnetic resonance in medicine and biology, was named as a Distinguished Graduate of the University of Pennsylvania School of Medicine and was awarded an honorary doctorate from the University of Bordeaux, France, and in 2011, he received the Leon J. Warshaw Leadership in Health Care Award from the Northeast Business Group on Health. He has authored over 300 publications and five books.

Dr. Grossman received his B.S. in biology, *Phi Beta Kappa*, from Tulane University, and his M.D. from the University of Pennsylvania in 1973, where he was elected to *Alpha Omega Alpha*. He completed his internship at the Beth Israel Hospital in Boston in 1973, a residency in neurosurgery from 1974 to 1977 at the University of Pennsylvania, a radiology residency at the University of Pennsylvania in 1979, and a two-year fellowship in neuroradiology at the Massachusetts General Hospital. He is board-certified in radiology and neuroradiology.

Steven Abramson, M.D., age 66

Dr. Steven Abramson has served as Senior Vice President of NYUHC and Vice Dean for Education, Faculty and Academic Affairs of NYUSM since July 2007. Previously, he was Associate Dean for Curriculum, Vice Dean for Medical Education and Associate Dean for Clinical Research. As Vice Dean, he oversees faculty affairs and medical education. He is a professor of medicine and pathology and director of the Division of Rheumatology and serves as co-director of the recently designated NYU Musculoskeletal Center of Excellence. He is a co-editor of the journal *Arthritis & Rheumatism*, a former member of the Rheumatology Board of the American Board of Internal Medicine, immediate past president of the Osteoarthritis Research Society International and former chairman of the Arthritis Advisory Committee of the Food and Drug Administration. He has published more than 200 papers on inflammation and arthritis. Dr. Abramson was named by the American College of Rheumatology board of directors as the first chair of the ACR-FDA Drug Safety Committee and is a member of the Skeletal Biology Structure and Regeneration Study Section of the NIH.

Dr. Abramson received his undergraduate degree *summa cum laude* from Dartmouth College, where he was a member of *Phi Beta Kappa*, and his M.D. from Harvard Medical School in 1974, where he was elected to *Alpha Omega Alpha*. He has been at NYUHC since 1974, as an intern, resident, faculty member and professor of medicine and pathology.

Bernard A. Birnbaum, M.D., age 57

Dr. Birnbaum has served as Senior Vice President of NYUHC and Vice Dean, Chief of Hospital Operations of NYUSM since July 2007. Previously, Dr. Birnbaum was Vice Chair of Clinical Affairs and Operations, and Chief of Service of the NYUSM Department of Radiology and served as Vice Chair of the Executive Committee of the Medical Board of NYUHC. He is the executive sponsor of the Medical Center's Lean Six Sigma management initiative and sets the strategic direction for the implementation of key elements of health care reform at NYUHC. He also directed the deployment and implementation of the EPIC platform, the Medical Center's integrated electronic medical record system. Dr. Birnbaum is a Fellow of the Society of Computed Body Tomography and Magnetic Resonance and recipient of that society's Hounsfield Award for his research on computed tomography reconstruction algorithms. He is a former Associate Editor of Radiology and has authored over 80 peer-reviewed research publications. Dr. Birnbaum received his B.A. in biology, *Phi Beta Kappa*, from Brown University, and his M.D. from NYUSM in 1983, where he was elected to *Alpha Omega Alpha*. He completed his medicine internship and radiology residency and fellowship at NYUHC from 1984-1988, and was a member of the NYUSM Department of Radiology faculty from 1988-1993, when he left to become the Chief of Computed Tomography at the Hospital of the University of Pennsylvania, and returned to NYUHC in 2001.

Andrew W. Brotman, M.D., age 59

Dr. Brotman was appointed Senior Vice President of NYUHC and Vice Dean for Clinical Affairs and Strategy, and Chief Clinical Officer of NYUSM in July 2007. From 1999-2007, Dr. Brotman held the positions of Vice Dean of Clinical and Hospital Affairs for NYUSM and Senior Vice President for NYUHC. He is responsible for physician/hospital programmatic initiatives and ambulatory care, leads the Faculty Group Practice, manages partnerships with affiliate hospitals and the faculty office complex and is the executive sponsor in the oncology service line. Prior to 1999, Dr. Brotman was Senior Vice President and Chief Operating Officer for physician practice management and network development for CareGroup in Boston. In this position he was responsible for the operations of employed physician practices, and was one of the founders of the managed care organization known as the Physicians Services Network. Dr. Brotman was also the Chief of Psychiatry at Beth Israel Deaconess Medical Center, and prior to that was Chief of Psychiatry at New England Deaconess Hospital, where he also served as President of the Medical Staff and ultimately, as Medical Director of Pathway Health Network, a four-hospital network.

Dr. Brotman attended Wesleyan University and received a medical degree from New York Medical College in 1980. He did his psychiatry residency at Massachusetts General Hospital, beginning in 1981. He is on the editorial boards of several journals and has over 80 publications to his credit.

Joseph J. Lhota, age 60

Mr. Lhota was named Senior Vice President of NYUHC and Vice Dean and Chief of Staff of NYUSM in January 2014, bringing more than 35 years of managerial and policy-making experience to the position. Previously, he served as Chairman and CEO of the Metropolitan Transportation Authority (MTA). Mr. Lhota was Deputy Mayor for Operations for New York City, overseeing the day-to-day management of the city government. Mr. Lhota has also held the positions of Director, Office of Management & Budget and Commissioner of Finance for New York City. He has served as chief administrative officer at The Madison Square Garden Company, and he held several senior executive positions at Cablevision Systems Corporation. For fourteen years, Mr. Lhota was an investment banker at First Boston and Paine Webber where he specialized in infrastructure, health care and housing finance for state and local governments throughout the United States. In 2013, he was a candidate for Mayor of New York City.

Mr. Lhota received his B.S.B.A from Georgetown University in 1976 and an M.B.A from the Harvard Graduate School of Business in 1980. He is a trustee of the City University of New York and a board member of Cablevision Systems Corporation and First Aviation Services, Inc.

Robert A. Press, M.D., age 67

Dr. Press was named Chief Medical Officer of NYUHC in July 2007. Dr. Press was previously Medical Director of Care Management at NYUHC, and served as Physician Director of Clinical Resource Utilization from 2002-2006. He was a member of the NYUSM Department of Medicine, Division of Infectious Services since 1978, and is now a Clinical Associate Professor. He is a diplomate of the American Board of Internal Medicine and is board certified in internal medicine and infectious diseases. Dr. Press serves on numerous committees at the Medical Center and chairs the Antibiotic Subcommittee of Pharmacy and Therapeutics committee. He has also been President of the Association of Physicians & Surgeons of University & Bellevue Hospital since 2001.

Dr. Press is a past Councilor and Vice President of the New York Society of Infectious Diseases, and is currently the President of that organization. He has served on the Board of Governors of the NYU School of Medicine Alumni Association for many years, and was President of the Alumni Association from 2005-2006.

Dr. Press attended Princeton University, where he graduated *magna cum laude* with an A.B. degree in Biochemistry in 1967, and received a medical degree and a Ph.D. in Microbiology from NYUSM, where he was President of the Class of 1972 and a member of *Alpha Omega Alpha*. He completed a medical internship and residency at Beth Israel Hospital in Boston, Massachusetts, and a senior residency at NYU-Bellevue Hospital. Subsequently, he completed a fellowship in infectious diseases at Montefiore Hospital-Albert Einstein College of Medicine in the Bronx, New York.

Dafna Bar-Sagi, Ph.D., age 61

Dr. Bar-Sagi was named Senior Vice President of NYUHC and Vice Dean for Science, Chief Scientific Officer of NYUSM in Summer 2011. She is also a professor of biochemistry. Dr. Bar-Sagi is responsible for developing strategies for building science at the Medical Center and developing and refining administrative structures, including enhancing core facilities and support services. She oversees all basic science research and collaborative science and jointly manages research IT, space allocation, finance, and research compliance. Prior to joining the Medical Center in 2006 as chair of the Department of Biochemistry, Dr. Bar-Sagi headed the Department of Molecular Genetics and Microbiology at the State University of New York (SUNY) at Stony Brook. She earned her undergraduate and master's degrees from Bar-Ilan University, Israel, and her Ph.D. from SUNY at Stony Brook.

Annette B. Johnson, age 70

Ms. Johnson is Senior Vice President and General Counsel of NYUHC and Vice Dean and Senior Counsel for Medical School Affairs of NYUSM. Ms. Johnson joined NYU in 1981, serving as counsel to NYU and NYU Medical Center, and was appointed Senior Vice President and General Counsel of NYUHC in October 2001. As chief legal officer for the Medical Center, Ms. Johnson oversees all legal matters and developed its Office of General Counsel, which now includes eight associate general counsels. In addition to her responsibilities in legal

matters, Ms. Johnson provides leadership to the Office of Internal Audit, Compliance & Enterprise Risk Management, the Institutional Review Board and the Office of Government Affairs.

Ms. Johnson earned a Ph.D. in English at the University of Massachusetts and received her J.D. *summa cum laude* from the University of Toledo, where she was valedictorian. After graduating from law school, she held a faculty appointment at the University of Toledo College of Law and served in the New York State Office of the Attorney General prior to joining the Office of Legal Counsel at NYU.

Michael T. Burke, age 57

Mr. Burke was appointed Senior Vice President and Corporate Chief Financial Officer of NYUHC and Vice Dean for Financial Affairs of NYUSM in December 2008. Prior to joining the Medical Center, he served as senior vice president and chief financial officer at Tufts New England Medical Center from 2004 to 2008. Previously, he was chief financial officer of Duke University Hospital from 2000-2004 and a senior manager in the Health and Life Sciences Performance Improvement Consulting Practice at KPMG Peat Marwick from 1995–2000. He also served as senior health care auditor for PricewaterhouseCoopers LLP and senior auditor at the New York State Attorney General’s office for Medicaid fraud control. Mr. Burke is a Certified Public Accountant and a member of the New York State Society of CPAs and serves on the provider advisory board of United Healthcare. He holds a B.S. in accounting from St. John Fisher College.

Richard Donoghue, age 62

Mr. Donoghue was named Senior Vice President for Strategy, Planning and Business Development of NYUHC in 2002. He is responsible for the integration of strategic initiatives for the Medical Center, managed care contracting and the medical malpractice program. Since his arrival at the Medical Center in 1990, Mr. Donoghue has held a variety of positions, including chief financial officer and chief information officer, and oversaw the prior affiliation of NYUHC with Mount Sinai Hospital and the subsequent termination of that affiliation. Prior to joining the Medical Center, Mr. Donoghue spent 16 years in consulting and public accounting, including five years as a partner with Ernst & Young. Mr. Donoghue is a Certified Public Accountant (CPA) and Certified Healthcare Financial Professional (CHFP), served on the Healthcare Financial Management Association’s National Principles & Practices Board, including three years as its chair, and was chair of the NYSCPA Healthcare Institutions Committee. Mr. Donoghue teaches the Healthcare Finance course for the Baruch Healthcare MBA program, and for the last 14 years has served as a technical editor for the Healthcare Financial Management Association’s hfm magazine. He holds a Master of Science and Bachelor of Business Administration from Adelphi University.

Nancy Sanchez, age 55

Ms. Sanchez has served as Senior Vice President of NYUHC and Vice Dean for Human Resources and Organizational Development of NYUSM since October 2007. She is responsible for strategic human resources initiatives, practices and operations, supporting over 17,000 faculty and staff across NYUHC and NYUSM. Since her arrival at the Medical Center almost 30 years ago, she has held numerous leadership roles in the Department of Human Resources, including in the areas of compensation, benefits, employee relations, recruitment and training. Ms. Sanchez holds a B.S. from Hofstra University and a M.S. from the Baruch/Cornell Program of Industrial and Labor Relations.

Vicki Match Suna, age 57

Ms. Match Suna was appointed Senior Vice President of NYUHC and Vice Dean for Real Estate Development and Facilities of NYUSM in October 2007. She oversees the development and management of the Medical Center’s real estate portfolio of over six million square feet. Her responsibilities include the Divisions of Real Estate, Planning, Design & Construction, Housing Services, and Facilities Operations and Management. In her previous role as vice dean and senior vice president for Real Estate & Strategic Capital Initiatives, Ms. Match Suna was responsible for strategic capital planning. Ms. Match Suna is a registered architect and a member of the American Institute of Architects (“AIA”). She served as a commissioner on the NYC Landmarks Preservation Commission for 15 years; the board of the New York City Economic Development Corporation; and the advisory board of Governors Island Preservation & Education Corporation. She currently serves on the executive committee of the board of the New York Building Congress and is a member of the New York Society of Health Planning and

the Association of American Medical Colleges, where she served on the Group on Institutional Planning and the professional development committee. She was an honoree of the NYC Commission on the Status of Women and the recipient of the Art Trek Award from the Queens Council on the Arts. In 2010, Ms. Match Suna received the Center for Architecture Award from the New York Chapter of the AIA and the Center of Architecture Foundation. Prior to joining the Medical Center in 1994, Ms. Match Suna was an associate partner at Lee Harris Pomeroy Associates. Previous experience includes directing the NYC office of Payette Associates and positions at Ellerbe Architects & Engineers, SMP Architects and Perkins & Will. She holds an undergraduate degree and a master's degree in architecture from Washington University in St. Louis, Missouri.

Nader Mherabi, age 51

Mr. Mherabi was appointed Senior Vice President and Chief Information Officer of NYUHC and Vice Dean of NYUSM in March 2011. He is responsible for all information technology services across the Medical Center. Prior to his appointment as Chief Information Officer, Mr. Mherabi served as Vice President for IT product solutions, in which capacity he designed, developed and implemented many large-scale diverse systems for the Medical Center, including an operational architecture for in-house application development and integration, an electronic data repository and dashboard and warehouse, research infrastructure for computational and collaboration and numerous applications in research, education and clinical care environments. He holds a B.S. from New Jersey Montclair State University in Computer Science and Mathematics.

*Conflicts of Interest and Compliance*

The Hospital has conflicts of interest policies, a Code of Conduct and a compliance program, all of which are implemented and enforced by the Office of Audit, Compliance and Enterprise Risk Management and supervised by the Board's Audit and Compliance Committee. The purpose of these programs is to ensure that all institutional decisions are made to promote the best interests of NYUHC without preference or favor based upon personal considerations and to ensure compliance with the various laws and regulations affecting NYUHC.

**Medical Staff**

As of July 31, 2014, NYUHC had a professional staff of 2,490 physicians, of whom 1,550 were full-time or part-time employees of NYUSM or NYUHC and the remaining 940 were private practice physicians with admitting privileges at NYUHC. As of July 31, 2014, approximately 90% of the active members were board-certified, and the average age of the active physician staff was approximately 50 years. The following chart illustrates the number of active physicians (which includes active attending physicians and courtesy staff with admitting privileges) by clinical department as of July 31, 2014.

**Active Physician Staff as of July 31, 2014**

<u>Clinical Department</u>	<u>Total</u>
Anesthesiology	149
Cardiothoracic Surgery	27
Dermatology	117
Emergency Medicine	95
Medicine	809

<b><u>Clinical Department</u></b>	<b><u>Total</u></b>
Neurology	109
Neurosurgery	24
OB/GYN	136
Ophthalmology	91
Orthopaedic Surgery	133
Otolaryngology	43
Pathology	52
Pediatrics	218
Psychiatry (Child & Adolescent)	33
Psychiatry	66
Radiation Oncology	12
Radiology	157
Rehabilitation	53
Plastic Surgery	33
Surgery	107
Urology	<u>26</u>
<b>TOTAL</b>	<b><u>2,490</u></b>

Source: NYUHC records.

NYUHC and NYUSM have been actively recruiting physicians for the last several years, adding a net of approximately 536 physicians since 2007, with a focus on internal medicine, cardiovascular disease, anesthesiology, pediatrics, neurology and neurosurgery, pulmonary/critical care, orthopaedic surgery and ophthalmology. The top ten physicians who individually saw the highest number of patients accounted for 12.3% of all patient discharges in 2014. The following chart describes the specialty and number of discharges for each of those physicians.

**Top 10 Admitting Physicians  
Fiscal Year Ending August 31, 2014**

<b><u>Physician Department</u></b>	<b><u>Specialty/</u></b>	<b><u>Patient Discharges</u></b>	<b><u>Percent of Total NYUHC Discharges*</u></b> <b><u>(32,260 for 2014)</u></b>
	Obstetrics/Gynecology	548	1.7%
	Psychiatry	484	1.5%
	Neurology	463	1.4%
	Obstetrics/Gynecology	436	1.4%
	Orthopaedic Surgery	380	1.2%
	Orthopaedic Surgery	347	1.1%
	Rehabilitation Medicine	345	1.1%
	Orthopaedic Surgery	334	1.0%
	Medicine	309	1.0%
	Medicine	<u>307</u>	<u>1.0%</u>
<b>TOTAL</b>		<b><u>3,953</u></b>	<b><u>12.3%</u></b>

Source: NYUHC records.

\* Excludes routine nursery.

## Payor Mix

The following table illustrates the payor mix for NYUHC for each of the three years ended August 31, 2014, 2013 and 2012.

### NYUHC Percentage of Net Patient Revenue By Payor (Inpatient and Outpatient Services)

	<u>Years Ended August 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Medicare	18%	16%	17%
Medicaid	2%	1%	1%
Blue Cross	21%	24%	24%
Managed Care*	53%	54%	53%
Commercial & Other	5%	5%	5%
Self Pay	<u>1%</u>	<u>0%</u>	<u>0%</u>
<b>TOTAL</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Source: NYUHC records.*

\* Managed Care category includes Medicare managed care and Medicaid managed care net patient revenue. For the years ended August 31, 2012, 2013 and 2014, Medicare managed care and Medicaid managed care represented 11% of total net patient revenue in each such year.

## Market Share

NYUHC operates within the highly competitive health care market comprised of the five boroughs of New York City. Service areas tend to overlap, in part due to the close geographic proximity of numerous hospitals and in part due to the fact that New York City hospitals offer some of the most sophisticated medical programs in the world. Hospitals, continuing care facilities and other health care providers in New York are challenged to continue delivering the highest quality care under mounting cost pressures and revenue reductions, which has resulted in deterioration of the general financial condition of many city hospitals.

Major competitors in the NYUHC service area are primarily the other major medical centers in New York City, including: (i) The New York Presbyterian Health System, a health system composed of several affiliated hospitals, including one hospital in Queens, New York (New York Hospital Medical Center of Queens), and three in Manhattan (New York Presbyterian – Columbia Presbyterian Center, New York Weill Cornell Center and Allen Pavilion in Manhattan), as well as a number of other hospitals in New Jersey, Brooklyn, the Bronx and Westchester County in New York; (ii) The New York City Health and Hospitals Corporation, a municipal health system comprising eleven hospitals in the Bronx, Brooklyn, Queens and Manhattan (which includes Bellevue Hospital Center, Harlem Hospital Center and Metropolitan Hospital Center); (iii) Mount Sinai Hospital, located in Manhattan, and a health system with three other hospitals in Manhattan (Beth Israel Medical Center/Petrie Campus, the New York Eye and Ear Infirmary and St. Luke's Roosevelt Hospital – St. Luke's Division and Roosevelt Division), one hospital in Brooklyn (Beth Israel Kings Highway) and one hospital in Queens, New York (Mount Sinai Hospital of Queens); and (iv) the North Shore-Long Island Jewish Health System, a New York-based health system that includes fourteen area hospitals, many of which are located on Long Island, New York and one of which is Lenox Hill on the Upper East Side of Manhattan.

### *Geographic Origin of Patients of NYUHC*

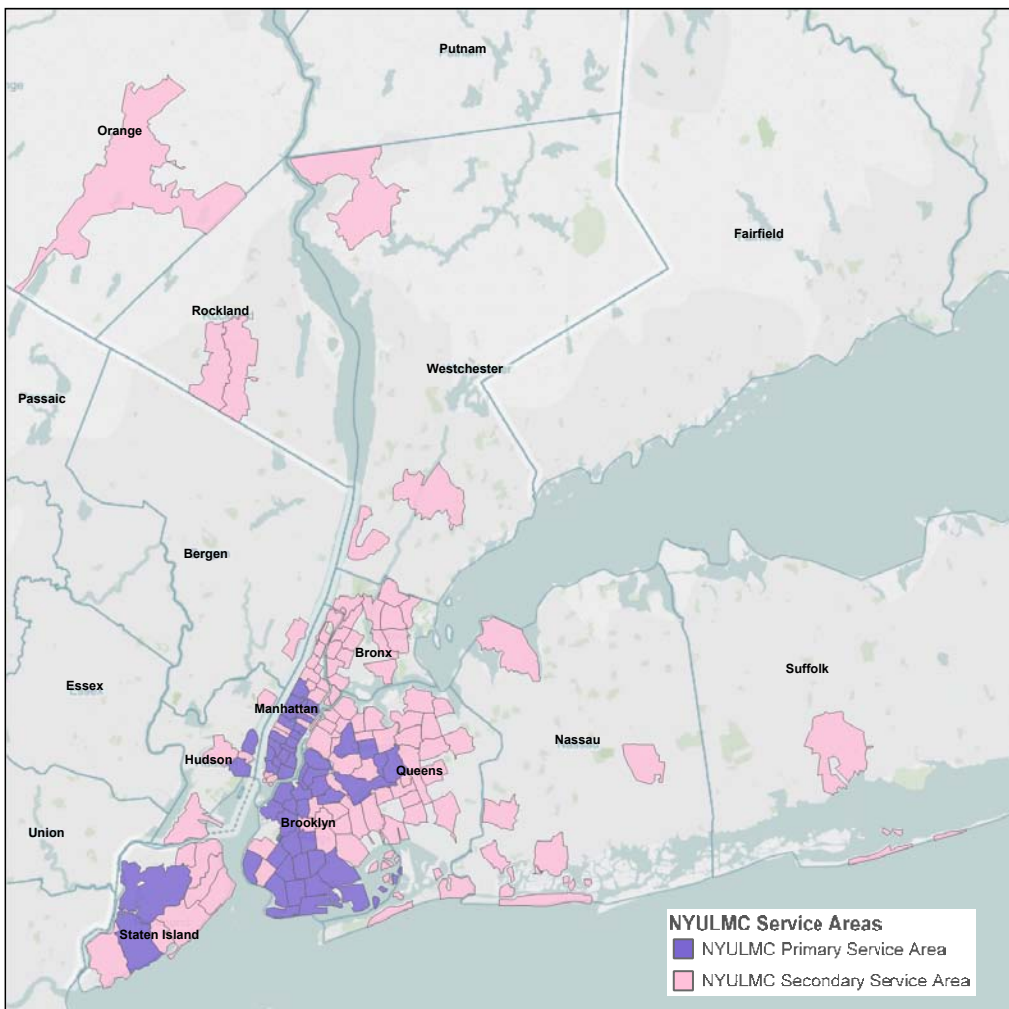
The following chart sets forth the geographic origin of inpatients of NYUHC for the calendar years ended December 31, 2013, 2012 and 2011. The following map illustrates the primary and secondary service areas of NYUHC, with the primary service areas defined as areas which account for 50% of discharges by volume in 2013, and secondary service areas defined as areas accounting for the next 25% of discharges.

## NYUHC Inpatient Geographic Origin

<u>Borough</u>	<u>Calendar Years Ended December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Manhattan	31%	31%	25%
Brooklyn	25%	25%	27%
Queens	12%	12%	14%
Bronx	4%	4%	4%
Staten Island	<u>3%</u>	<u>3%</u>	<u>3%</u>
<b>Total New York City</b>	<b><u>75%</u></b>	<b><u>75%</u></b>	<b><u>73%</u></b>
Other New York State	13%	13%	14%
Outside New York State	<u>13%</u>	<u>13%</u>	<u>13%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

*Source: NYUHC records.*

## NYUHC Inpatient Geographic Discharges by Service Area



Note: The map illustrates the primary and secondary service areas of NYUHC, the primary service area is defined as areas which account for 50% of discharges by volume in CY2013, and secondary service area defined as areas accounting for the next 25% of discharges.



## Utilization

The following chart sets forth utilization statistics (excluding routine nursery) for NYUHC for each of the three years ended August 31, 2012, 2013 and 2014:

### NYUHC Historical Utilization Statistics

	<u>Year Ended August 31,</u>		
	<u>2012</u>	<u>2013<sup>(1)</sup></u>	<u>2014</u>
Discharges*	38,045	26,676	32,260
Patient Days	207,243	127,685	166,839
Average Length of Stay – Acute (in Days)	4.6	4.3	4.5
Average Length of Stay – Rehab (in Days)	13.3	16.3	16.4
Average Length of Stay – Total (in Days)	5.4	4.8	5.2
Average Daily Census	566	350	457
Average Beds Available	762	636	683
Percent of Occupancy	74%	72%	74%
Medicare Case Mix Index	2.01	2.21	2.23
<u>Outpatient Visits</u>			
ED /Urgent Care Center <sup>(2)(3)</sup>	37,940	26,098	41,350
Ambulatory Surgery Visits	32,286	29,169	36,409
Cancer Center Visits	221,224	209,685	225,894
Other Outpatient Visits	<u>449,448</u>	<u>474,686</u>	<u>589,220</u>
<b>Total Outpatient Visits</b>	<b><u>740,898</u></b>	<b><u>739,638</u></b>	<b><u>892,873</u></b>

Source: NYUHC records.

\* Excludes routine nursery.

<sup>(1)</sup> The utilization data for the year ended August 31, 2013 reflects the service disruption that occurred as a result of Superstorm Sandy on October 29, 2012. See “Superstorm Sandy Overview.”

<sup>(2)</sup> Excludes patients who were admitted as inpatients to the Hospital through the ED/Urgent Care Center.

<sup>(3)</sup> Due to Superstorm Sandy, the ED closed on October 29, 2012. The Urgent Care Center opened January 14, 2013. The permanent ED reopened on April 22, 2014.

## Summary of Historical Revenues and Expenses

Appendix B to the Official Statement sets forth the audited financial statements of NYUHC as of August 31, 2014 and 2013 and the related statements of operations, changes in net assets, and cash flows for the years then ended, together with supplemental information and the report of PricewaterhouseCoopers LLP, independent accountants. Appendix B includes the results of a wholly controlled subsidiary of NYUHC, CCC550, which is NYUHC’s captive insurance company. Information related to CCC550 is detailed within the financial statements under “Consolidating Financial Information” and footnote 7. In 2014, CCC550 represented 3.1% of the total revenues and 8.8% of the total assets of NYUHC. **CCC550 IS NOT OBLIGATED WITH RESPECT TO THE SERIES 2014 BONDS.**

**Summary of Historical Revenues and Expenses of NYUHC\***  
(dollars in thousands)

**Year Ended August 31,**

	<u>2012</u>	<u>2013**</u>	<u>2014</u>
<b>Operating revenue</b>			
Net patient service revenue before bad debt expense	\$ 1,856,787	\$ 1,682,200	\$ 2,051,114
Bad debt expense	<u>26,629</u>	<u>19,583</u>	<u>11,611</u>
Net patient service revenue	1,830,158	1,662,617	2,039,503
Contributions	3,552	3,367	6,190
Endowment distribution and return on short-term investments	3,138	5,244	12,114
Commercial insurance recovery	-	54,118	9,232
Disaster recovery reimbursement	-	107,420	97,098
Other revenue	114,061	96,710	146,874
Net assets released from restrictions for operating purposes	<u>20,536</u>	<u>2,467</u>	<u>23,044</u>
Total operating revenue	1,971,445	1,931,943	2,334,055
<b>Operating expenses</b>			
Salaries and wages	669,671	675,690	736,018
Employee benefits	207,396	241,900	257,451
Supplies and other	748,278	736,346	958,925
Depreciation and amortization	78,131	83,598	98,565
Interest	19,217	31,527	46,166
Disaster expense	<u>-</u>	<u>115,074</u>	<u>22,139</u>
Total operating expenses	1,722,693	1,884,135	2,119,264
Gain from operations	248,752	47,808	214,791
<b>Other items</b>			
Impairment of property, plant and equipment - disaster related, net	-	(28,957)	2,540
(Loss) gain on disposals of property, plant and equipment	(1,865)	(4,745)	231
Disaster recovery reimbursement for capital	-	-	73,374
Grants for capital asset acquisitions	-	104	140
Mission support payment to NYUSM	(27,750)	(35,735)	(30,000)
Investment return less than Endowment distribution, net	62	(7,550)	8,023
Excess (deficiency) of revenue over expenses	219,199	(29,075)	269,099
<b>Other changes in unrestricted net assets</b>			
Changes in pension and postretirement obligations	(88,311)	96,438	(22,854)
Contributions for capital asset acquisitions	697	-	-

Net assets released from restrictions for capital purposes	3,110	72,658	15,040
Net assets released from restrictions for hazard mitigation	-	-	12,000
Transfer of equity	<u>(10,063)</u>	<u>-</u>	<u>-</u>
<b>Net increase in unrestricted net assets</b>	<b>\$ 124,632</b>	<b>\$ 140,021</b>	<b>\$ 273,285</b>

Source: NYUHC records.

\* Reflects financial results of CCC550, which is not a Member of the Obligated Group, on equity basis of accounting.

\*\* Data for the year ended August 31, 2013 reflects the disruption of service as a result of Superstorm Sandy, which occurred on October 29, 2012. See “Superstorm Sandy Overview.”

## Management’s Discussion of Recent Financial Performance

### *Effects of Superstorm Sandy*

FEMA committed significant aid to the Medical Center to assist in the recovery process and to pay for improvements that may help to mitigate losses due to future storms. On July 29, 2014, a letter of undertaking was executed by FEMA, the State of New York, the University and the Medical Center (the “Funding Agreement”) agreeing to the terms of a fixed, capped Public Assistance Grant (“the Capped Grant”) in the amount of \$1.13 billion under the alternative procedures authorized under Section 428 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This award is based on an agreed-upon scope of work for the repair and replacement of eligible damage totaling \$540.4 million and for approved hazard mitigation projects totaling \$589.7 million for Medical Center properties (which includes both NYUHC and NYUSM properties). Of these amounts, NYUHC’s portion for the repair and replacement of eligible damage totals \$271.9 million and the portion for approved hazard mitigation projects totals \$236.9 million and the balance is for the NYUSM. Of the \$271.9 million related to repairs and replacement, NYUHC recognized revenue of \$157.5 million, which represents 90% of eligible costs incurred through August 31, 2014. Of the \$236.9 million related to hazard mitigation projects, NYUHC recognized 90% (or \$213.3 million) as a temporarily restricted disaster recovery award for future mitigation that will be released from restriction as these related costs are incurred.

In August 2014, the Medical Center received the initial disbursement from the Capped Grant totaling \$419.4 million based on the committed disaster related amounts spent or committed to be spent in the initial twelve month period pursuant to the terms of the Funding Agreement. Of this initial disbursement amount, \$329.3 million was allocated to NYUHC, comprised of \$222.4 million for repairs and replacement for eligible damage and \$106.9 million for mitigation projects. As of August 31, 2014, the unspent portion of the amounts received for repairs and replacement totaling \$64.9 million is recorded on the consolidated balance sheet in long-term assets limited as to use. The revenues will be recognized as the allowable costs are incurred. All FEMA funding remains subject to legislative appropriation, compliance with extensive regulatory requirements, and retroactive audit and recoupment. See “Bondowners’ Risks and Matters Affecting the Health Care Industry – Funding from the Federal Emergency Management Agency.”

In addition to the Capped Grant award, FEMA continues to work with the Medical Center to finalize additional grant awards related to eligible disaster related emergency and non-permanent expenses that are not included in the Capped Grant. Revenue recognized is net of applicable insurance proceeds.

NYUHC was awarded a Social Services Block Grant totaling \$22.0 million during 2014 to assist in the recovery of certain disaster related costs. Amounts covered by the grant were expended and the entire grant amount was recognized in revenue during the year and is recorded in Federal Grant – disaster recovery receivable as of August 31, 2014.

## *Commercial Insurance*

NYUHC had insurance policies in effect at the time of Superstorm Sandy for business interruption, property, casualty, and other insurance coverage subject to various limitations and deductibles. Commercial insurance recoveries unallocated within the Medical Center of \$70.0 million were recorded in the year ended August 31, 2013, of which \$60 million was collected in 2013 and the balance was collected as of August 31, 2014. NYUHC's allocation of this amount totaled \$59.5 million. No allocation of these recoveries between business interruption, property casualty, and other insurance coverage has been or is expected to be made by the insurers.

In 2014, the Medical Center received \$11.0 million from commercial insurance as an advance payment for losses attributed to service interruption, of which \$3.9 million was allocated to NYUHC.

NYUHC recognized commercial insurance recoveries specifically attributed to property losses totaling \$2.0 million and \$2.0 million in 2014 and 2013, respectively. These amounts, collected during 2014, have been recorded as a reduction to the disaster-related impairment of property, plant and equipment within the combined statements of operations.

Additional commercial insurance recoveries are expected and are being pursued but the ultimate outcome cannot be determined at this time and therefore, no additional revenue has been recorded for such expected recoveries through August 31, 2014.

### *Years Ended August 31, 2014 and 2013*

For the year ended August 31, 2014, NYUHC recorded a gain from operations of \$214.8 million and a \$273.3 million net increase in unrestricted net assets compared with a gain from operations of \$47.8 million and a net increase in unrestricted net assets of \$140.0 million for the year ended August 31, 2013. The 2014 performance equates to an operating margin of 9.2% compared to a 2.5% operating margin for the year ended August 31, 2013.

For the year ended August 31, 2014, NYUHC recorded total revenue of \$2.3 billion: 43% from inpatient operations; 44% from outpatient operations; and 13% from other sources. As compared to the year ended August 31, 2013, net patient revenue increased by \$376.9 million or by 23%. Management attributes this increase primarily to the full post-storm recovery of services in 2014, including the reopening of the ED in April. In addition to the recovery from Superstorm Sandy, Management attributes the increase in net patient revenue to continued growth in ambulatory services other than clinic visits, inpatient and outpatient rate increases, and continued improvements in revenue realization through revenue cycle initiatives. See "Liquidity and Investments" herein.

Operating expenses for the year ended August 31, 2014 increased 12% to \$2.1 billion compared with \$1.9 billion for the year ended August 31, 2013. Operating expenses were comprised of: 47% salaries and benefits; 46% supplies including disaster costs; 5% depreciation and amortization; and 2% interest. Management attributes these increases primarily to the increase in ambulatory volume, increased employee salary and benefit costs, and increased cost of medical supplies and purchased services.

### *Years Ended August 31, 2013 and 2012*

For the year ended August 31, 2013, NYUHC recorded a gain from operations of \$47.8 million and a \$140.0 million net increase in unrestricted net assets compared with a gain from operations of \$248.8 million and a net increase in unrestricted net assets of \$124.6 million for the year ended August 31, 2012. The 2013 performance equates to an operating margin of 2.5% compared to a 12.6% operating margin for the year ended August 31, 2012.

For the year ended August 31, 2013, NYUHC recorded total revenue of \$1.9 billion: 42% from inpatient operations; 44% from outpatient operations; and 14% from other sources. As compared to the year ended August 31, 2012, net patient revenue decreased by \$168 million or 9%. Management attributes the decrease in net patient revenue to the impact of business interruption on revenue immediately before, during and after Superstorm Sandy. The rapid response to the damage and the rapid restoration and return of most Hospital services significantly mitigated the business losses following the Storm. Operating expenses for the year ended August 31, 2013 increased 9% to \$1.9 billion compared with \$1.7 billion for the year ended August 31, 2012. Operating expenses were comprised of: 49% salaries and benefits; 45% supplies including disaster costs; 4% depreciation and amortization;

and 2% interest. Management attributes these increases primarily to disaster related expenses incurred to restore the facilities and return to operation, as well as growth in ambulatory surgery and certain other outpatient volume. Also, during the period of business interruption, the Hospital maintained full pre-Storm employment levels in order to retain a ready and trained workforce for the resumption of Hospital operations.

### **Financial Planning and Budgetary Process**

NYUHC and NYUSM have jointly developed a long range financial plan (“LRFP”) that assesses future challenges and opportunities. The LRFP is updated annually and establishes the targets and guidelines for the development of the annual capital and operating budgets.

NYUHC’s capital and operating budgets are developed annually beginning several months before the start of each fiscal year. Based on initial estimates by department managers and the targets developed within the LRFP, the Finance Department creates budgets that are reviewed by senior management. The LRFP and the capital and operating budgets are then reviewed by the Finance Committee of the Medical Center’s Board of Trustees and presented to the Board for approval. The University’s Board of Trustees reviews the operating and capital budgets, but ultimate approval of the Hospital’s budgets rests with the Board of NYUHC in compliance with DOH regulations. Financial performance is monitored by the Board and the Finance Committee of the Medical Center Board of Trustees.

### **Maximum Annual Debt Service Coverage**

The following table sets forth Income Available for Debt Service for NYUHC for the three years ended August 31, 2012, 2013 and 2014. It is derived from the corresponding information contained in the audited financial statements for the fiscal years ended August 31, 2012, 2013 and 2014. The following schedule also shows, on a pro forma basis, the resulting coverage by such Income Available for Debt Service of the maximum annual debt service in any future bond year, including the issuance of the Series 2014 Bonds, with a par amount of \$77.7 million. Debt service on NYUHC’s lines of credit has been amortized over a multi-year period as permitted under the Master Indenture.

**Summary of Historical and Pro Forma Maximum Annual Debt Service Coverage  
(dollars in thousands)**

	<b>Year Ended August 31,</b>		
	<b><u>2012</u></b>	<b><u>2013</u><sup>§</sup></b>	<b><u>2014</u></b>
Excess (deficiency) of revenue over expenses	\$ 219,199	\$ (29,075)	\$ 269,099
Impairment of property, plant and equipment, net	-	28,957	(2,540)
Loss (gain) on disposals of property, plant and equipment	1,865	4,745	(231)
Disaster recovery reimbursement for capital			(73,374)
Grants for capital asset acquisitions	-	(104)	(140)
Mission support payment to NYUSM	27,750	35,735	30,000
Endowment distribution, net	(62)	7,550	(8,023)
Depreciation and amortization	78,131	83,598	98,565
Interest	19,217	31,527	46,166
Income Available for Debt Service	\$ 346,100	\$ 162,933	\$ 359,522
Divided by:			
Historical Maximum Annual Debt Service	79,456	106,372	109,799
Historical Maximum Annual Debt Service Coverage*	4.36	1.53	3.27
Pro Forma Maximum Annual Debt Service <sup>†</sup>	124,979	124,979	124,979
Pro Forma Maximum Annual Debt Service Coverage <sup>† **</sup>	2.77	1.30	2.88

Source: NYUHC records.

§ Data for the year ended August 31, 2013 reflects the disruption of service as a result of Superstorm Sandy on October 29, 2012. See "Superstorm Sandy Overview."

\* Debt service coverage is calculated in accordance with the Master Indenture. Historical Maximum Annual Debt Service does not include the Taxable 2014A Bonds or the Series 2014 Bonds and does include the Series 2007B Bonds.

† See also "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS."

\*\* As of August 31, 2014, NYUHC had drawn \$200 million under lines of credit with the Credit Line Lenders and repaid \$150 million in September, 2014. As of November 1, 2014, NYUHC had \$50 million outstanding under the lines of credit with TD Bank, N.A. and Wells Fargo, N.A. \$50 million of the Taxable 2014A Bond proceeds were used to repay outstanding portions of the lines of credit used for funding Energy Building related costs. An affiliate of Wells Fargo, N.A. is an underwriter for the Series 2014 Bonds. Pro forma maximum annual debt service coverage includes capital leases. NYUHC has executed \$55.2 million in capital leases as of August 31, 2014, with approximately \$15.6 million and \$15.8 million amortizing in 2015 and 2016, respectively. Pro forma maximum annual debt service excludes the Series 2007B Bonds and includes the debt service on the Taxable 2014A Bonds and the Series 2014 Bonds.

## Liquidity and Investments

The table below sets forth the days cash on hand calculated pursuant to the Master Indenture definition.

### Summary of Historical Days Cash on Hand (dollars in thousands)

Year Ended August 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash and cash equivalents	\$ 176,992	\$ 162,861	\$ 323,459
Short-term assets whose use is limited	375,998	68,350	96,308
Short-term marketable securities	3,688	3,562	3,731
Long-term assets whose use is limited	128,327	520,070	560,942
Long-term marketable securities	21,300	22,177	24,087
Less: Restricted Funds	<u>(93,477)</u>	<u>(59,967)</u>	<u>(47,329)</u>
<b>Total Cash per Master Indenture</b>	<u>\$ 612,828</u>	<u>\$ 717,053</u>	<u>\$ 961,198</u>
Operating expenses	\$ 1,722,693	\$ 1,884,135	\$ 2,119,264
Depreciation and amortization	(78,131)	(83,598)	(98,565)
Other adjustments per Master Indenture	<u>8,265</u>	<u>57,582</u>	<u>24,752</u>
<b>Total Modified Operating Expenses</b>	<u>\$ 1,652,827</u>	<u>\$ 1,858,119</u>	<u>\$ 2,045,451</u>
Days Cash on Hand*	135	141	172

Source: NYUHC records.

\* Days Cash on Hand is defined as (i) NYUHC's unencumbered cash and marketable securities (valued at current market value) including cash and investments of or allocable to NYUHC that are held as part of a pooled investment portfolio with the University, together with any moneys or securities deposited or escrowed for the payment of debt service on indebtedness, divided by (ii)(A) for the 12-month period ended, operating expenses, minus depreciation and amortization and other non-cash charges, plus principal payment on long-term indebtedness, divided by (B) 365.

### Liquidity Policy

NYUHC's cash management policy is to provide liquidity for operating and capital expenditures. Cash not needed to meet short-term working capital requirements is maintained in a capital program and reserve fund (reported within short-term assets whose use is limited) with the intent to meet the cash flow requirements of NYUHC for projects and programs for which spending would occur beyond a one-year time frame. The balance in the capital program and reserve fund is intended to be two times the amount of any working capital draws at any given point in time and is primarily invested in a combination of bank depository accounts/money market demand/money market funds (11%) and short-term index funds (89%) as of August 31, 2014. In addition, NYUHC has marketable securities consisting of quasi-unrestricted and permanently restricted endowments. Such marketable securities are in a pooled investment portfolio maintained by NYU and are comprised of equity securities (44%), fixed income securities (11%) and alternative investments (45%).

**Debt to Capitalization  
(dollars in thousands)**

**Year Ended August 31,**  
(unaudited)

	<u>2012</u>	<u>2013</u>	<u>2014*</u>
Short term Debt	34,894	77,165	36,363
Long term Debt	868,379	1,121,794	1,401,199
<b>Total</b>	<b>903,273</b>	<b>1,198,959</b>	<b>1,437,562</b>
Short term Debt	34,894	77,165	36,363
Long term Debt	868,379	1,121,794	1,401,199
Unrestricted Net Assets	618,059	758,080	1,031,365
<b>Total</b>	<b>1,521,332</b>	<b>1,957,039</b>	<b>2,468,927</b>
<b>Debt-to-Capitalization</b>	<b>59.37%</b>	<b>61.26%</b>	<b>58.23%</b>

*Source: NYUHC records.*

\* Excludes the Taxable 2014A Bonds and the Series 2014 Bonds and includes the Series 2007B Bonds.

*Philanthropy*

NYUHC has historically collaborated with NYUSM to raise money for the Medical Center and has reported philanthropy contributions on a combined basis. The Medical Center received total cash contributions of \$209.7 million in 2012, of which \$63.3 million was allocable to NYUHC, \$245.9 million in 2013, of which \$83.7 million was allocable to NYUHC and \$256.2 million in 2014, of which \$75.1 million was allocable to NYUHC.

**Reimbursement Methodologies**

*Medicare*

Medicare is a federal health care program created by Title XVIII of the Social Security Act. Medicare covers both hospital and physician services for eligible individuals who are elderly, disabled or subject to certain chronic conditions.

Inpatient-Based Payment System

Medicare covers hospital services for eligible individuals who are elderly, disabled or subject to certain chronic conditions. Medicare pays acute care hospitals, such as NYUHC, for most general medical/surgical services provided to eligible inpatients under a prospective payment system ("PPS") known as "inpatient PPS." Under the inpatient PPS, hospitals receive a predetermined payment amount for each Medicare discharge. This PPS payment is a standard national amount based on the diagnostic related group ("DRG") for the discharge subject to a geographic adjustment that takes into account wage differentials. Since October 1, 2007, CMS has utilized a new DRG system intended to ensure that payments more accurately reflect the costs of services provided by hospitals by better recognizing the severity of a patient's illness. The new DRG system, referred to as the Medicare-Severity DRGs, modifies the basic logic of the previous system and includes three severity levels: major complication and comorbidities ("MCC"), complication and comorbidities ("CC") and non-CC. DRGs classify treatments for illnesses according to the estimated costs of hospital resources necessary to furnish care for each patient's principal diagnosis and establish a payment amount for that diagnosis treatment group. Hospitals are thus at financial risk for providing services to a patient at an actual cost greater than the applicable DRGs payment. DRG weights are recalibrated annually.



DRG rates are updated annually (the update factor) based on a statistical estimate of the increase in the cost of goods and services used by hospitals in providing care (the market basket). Historically, the increases to the DRG rates have often been lower than the percentage increases in the costs of goods and services purchased by hospitals. Under the final inpatient prospective payment system (“IPPS”) rule for fiscal year 2015 (effective October 1, 2014), the operating payment rates for inpatient stays in general acute care hospitals, such as NYUHC, that participate in the Hospital Inpatient Quality Reporting (“IQR”) Program and are meaningful electronic health record (“EHR”) users were increased by 1.4%. (The actual market basket update is 2.9% but it is reduced by a 0.5% productivity adjustment, a 0.2% adjustment required by the Patient Protection and Affordable Care Act (“ACA”), and 0.8% reduction for a documentation and coding recoupment adjustment required by the American Taxpayer Relief Act of 2012).

Beginning October 1, 2014, those hospitals that do not successfully participate in the Hospital IQR Program and do not successfully submit the required quality data will be subject to a one-fourth reduction of the market basket update (previously these hospitals received a 2% reduction). NYUHC submitted the quality data necessary to obtain full inpatient rate increases in prior years. The market basket update for any hospital that is not a meaningful EHR user will be reduced by one-fourth of the market basket update in federal fiscal year 2015, one-half of the market update in federal fiscal year 2016 and three-fourths of the market basket update in federal fiscal year 2017 and later years.

CMS implemented a provision of the Deficit Reduction Act of 2005 (the “DRA”) that aims to prevent Medicare from paying hospitals for the additional costs of treating a patient who acquires a condition (including an infection) during a hospital stay. The DRA requires hospitals to report diagnoses that are present at the time of patient admission. Medicare no longer pays hospitals for cases with these conditions at the higher rate unless the diagnosis was present upon admission. The ACA established the Hospital Acquired Condition Reduction Program. Beginning October 1, 2014, hospitals that are in the top quartile for the rate of hospital acquired conditions will have their Medicare IPPS payments reduced by a further 1%.

Under the Hospital Readmissions Reduction Program, for discharges beginning on or after October 1, 2012, a hospital with excess readmissions for patients having certain conditions will receive an adjustment to the base operating DRG payment to account for excess readmissions. A readmission generally refers to an admission to an acute care hospital paid under the IPPS within 30 days of a discharge from the same or another acute care hospital. A hospital’s excess readmission ratio is a measure of its readmission performance compared to the national average. For federal fiscal year 2015, CMS has set the maximum reduction amount for excess readmissions at 3% of payments.

Effective for discharges occurring after October 1, 2012, IPPS hospitals have been subject to the Hospital Value-Based Purchasing adjustment whereby a participating hospital’s base operating DRG payments are reduced to fund value-based incentive payments to PPS hospitals based on their overall performance on a set of quality measures. Each hospital’s value-based incentive payment adjustment factor is based on the hospital’s Total Performance Score for the specified performance period. The total estimated amount available for value-based incentive payments for a fiscal year is equal to the estimated total amount of payment reductions for all participating hospitals for the fiscal year. For federal fiscal year 2015, the hospital value based purchasing adjustment program will be funded by a 1.5% payment reduction to participating hospitals’ base operating DRG payments. Each hospital’s value-based incentive payment amount for a fiscal year will depend on the range and distribution of hospital scores for that federal fiscal year’s performance period, on the amount of funds available for redistribution and on the amount of the hospital’s DRG payments. The value-based incentive payment amount for each hospital applied as an adjustment to the base-operating DRG amount for discharge beginning October 1, 2012.

### Outpatient-Based Payment System

Most hospital outpatient services are also reimbursed on a PPS basis. Payments under the outpatient PPS (“OPPS”) are based upon ambulatory payment classification (“APC”) groups. An APC group includes various services and procedures determined to be similar. APC rates are adjusted annually and are subject to a geographic adjustment that takes into account wage differentials and the average amount of resources required to provide the service (e.g., visit, chest x-ray, surgical procedure). Hospitals are eligible to receive additional payments for certain new or high cost drugs and devices as well as certain outlier payments. There can be no assurance that the Hospital

OPPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of the services.

OPPS applies to most hospital outpatient services, other than ambulance and rehabilitation services, clinical diagnostic laboratory services, dialysis for end-stage renal disease, non-implantable durable medical equipment, prosthetic devices and orthotics. Outpatient services not covered by OPPS are reimbursed on the basis of fee schedules, the lower of costs or charges, or a blend of fee schedules and costs.

CMS has implemented a quality data reporting program for hospital outpatient care known as the Hospital Outpatient Quality Reporting (“Hospital OQR”) Program, and formerly known as the Hospital Outpatient Quality Data Reporting Program. This program, modeled after the quality data reporting program for hospital inpatient services, has financial incentives for hospitals to report quality data to CMS. Any hospital that fails to meet the standards for reporting of hospital outpatient quality measures will receive a 2% reduction in the conversion factor used to determine its outpatient payments for that calendar year. NYUHC has submitted the quality data necessary to obtain full inpatient rate increases for each applicable year.

#### Additional Supplemental Payments

Certain hospitals, including NYUHC, receive additional payment from Medicare for the direct costs of graduate medical education (“GME”). There are two forms of payment for GME: Direct Graduate Medical Education (“DGME”) and Indirect Medical Education (“IME”) payments. DGME payments support the direct costs of training (e.g., resident stipends, supervision), while IME payments support the higher infrastructure relating to teaching, greater patient acuity and their extensive “stand-by” capabilities. DGME costs are reimbursed under a prospective methodology based on a hospital-specific approved amount per resident. Additional payments are available to PPS teaching hospitals for the IME costs attributable to their approved graduate medical education programs. The IME payment is an additional payment calculated as a percentage add-on to the inpatient DRG payment. The payment is based on a formula that incorporates a hospital’s ratio of residents to beds in use and total inpatient PPS revenue. DGME and IME reimbursement is subject to certain limitations, such as a cap on a hospital’s reimbursable residents based on the number of residents in a base year, and reductions for training taking place in non-hospital settings unless certain criteria are met. Congress has repeatedly sought to limit GME reimbursement. In calendar year 2013, NYUHC received \$66 million in reimbursement for DGME and IME.

Hospitals receive additional payments for other costs. In certain circumstances, CMS makes an additional payment for new services and technologies if the estimated charges for the new service or technology exceed the DRG payment amount by a threshold amount and the new service or technology is a substantial clinical improvement relative to technologies previously available. Hospitals also receive additional payments, known as outlier payments, for cases for which costs exceed the inpatient prospective payment system payment plus an additional fixed dollar amount (a threshold). In addition, Medicare makes additional payments to hospitals that serve large numbers of low-income patients. There is no assurance that these payments, considered together with the DRG patient, will be sufficient to cover the actual cost of providing hospital services or that they will continue at their current payment levels.

Certain hospital inpatient facilities or units providing specialized services, such as rehabilitation or psychiatric units, are reimbursed under different reimbursement methodologies. Medicare implemented a PPS whereby patients receiving rehabilitation services are classified into case mix groups based upon impairment, age, co-morbidities and functional capability, and a distinct PPS for inpatient psychiatric services whereby hospitals will receive a predetermined per diem payment with adjustments for factors such as patient characteristics, DRG, hospital teaching status, and geographic area wage levels. Rehabilitation and psychiatric PPS rates are also subject to the market basket reductions included in the health care reform legislation. See “Bondowners’ Risks and Matters Affecting the Health Care Industry – National Health Reform” herein. There is no assurance that these payments are sufficient to cover the actual cost of providing hospital services.

The Medicare program has experienced frequent legislative, regulatory and administrative revisions in its payment methodologies and other provisions, many of which have sought to reduce the level of payment and rate of increase in the cost of the program. In addition, CMS has increased its efforts to identify potential overpayments to providers. Auditors such as Recovery Auditors, Program Integrity Contractors, Medicare Administrative Contractors and Specialty Contractors routinely audit hospital payments and impose retroactive payment

adjustments on providers. Program integrity auditors are increasingly using statistical sampling and extrapolation to support demands of significant repayments. See “Bondowners’ Risks and Matters Affecting the Health Care Industry – Regulatory Reviews and Audits” herein. Legislative and regulatory changes together with increasing CMS audits may adversely affect the Medicare reimbursement NYUHC receives.

### Medicare Advantage

NYUHC also receives Medicare reimbursement through Medicare Advantage plans (formerly known as Medicare+Choice Plans), which are alternate managed care insurance products offered by private companies who contract with the Medicare program. Under the Medicare Advantage program, these private companies agree to accept a fixed, per-beneficiary payment from the Medicare program to cover all care that the beneficiary may require. While the coverage afforded by these Medicare Advantage plans must be at least co-extensive with the coverage offered by the traditional Medicare fee-for-service program, NYUHC’s payments for inpatient and outpatient services furnished to Medicare Advantage beneficiaries are governed by each payor’s contract with NYUHC rather than the Medicare IPPS or OPSS payment methodologies.

### *Medicaid, Blue Cross and Commercial Insurance Carriers*

As periodically updated and renewed, the New York State reimbursement methodologies govern non-Medicare payments to hospitals in New York State. Under the New York State reimbursement methodologies, hospitals and all non-Medicare payers, except Medicaid, workers’ compensation and no-fault insurance programs, negotiate hospitals’ payment rates. If negotiated rates are not established, payers are billed at hospitals’ established charges. Medicaid, workers’ compensation and no-fault payers pay hospital rates promulgated by DOH on a prospective basis. Every year, NYUHC must have its Medicaid reimbursement rates certified for the forthcoming year by the New York State Commissioner of Health and approved by the State Director of Budget, recognizing economic and budgetary considerations. In addition, Medicaid rate methodologies are subject to approval at the federal level by CMS, which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until NYUHC is reasonably assured that such amounts are realizable. Adjustments to the current and prior years’ payment rates for Medicaid will continue to be made in future years.

New York State reimbursement methodologies include a system of state-imposed assessments and surcharges on various categories of third-party payers for health care services that fund annual state-operated pools for indigent care, health care initiatives, and professional education. In 2010, funds from the professional education pool were transferred to the indigent care pool and distributed to hospitals on a methodology utilizing uninsured patient volume. There will be continued changes in the methodology used to determine the amount of the distributions to be made to hospitals and in the methodology used to determine the cap on the amount of the distributions that are ultimately passed on to hospitals. These issues could negatively affect NYUHC. Charity care has become an area of intense focus by both federal and state governments. The teaching component of Medicaid and managed Medicaid reimbursement, which is distributed outside the pools, is expected to continue to be paid by the state directly to the hospitals. NYUHC receives significant payments from the indigent care pool, and no assurances can be given that substantial subsequent changes in these programs will not occur, nor that subsequent payments will remain at levels comparable to the present level.

In the State of New York, Medicaid is a jointly funded federal-state-county program administered by the state by which hospitals receive reimbursement for services provided to eligible infants, children, adolescents and indigent adults. The federal share of the State’s Medicaid expenditures is approximately 50%. Since its application for a federal Medicaid waiver under Section 1115 of the Social Security Act was first approved in 1997, the State of New York has mandated that a significant portion of its Medicaid population be assigned and enrolled into private managed care plans. Under the waiver, Medicaid recipients are required to enroll in one of several managed care options, unless they fall into an exempt or excluded category enumerated in the New York statute. Management believes that Medicaid fee-for-service payments will likely constitute a reduced percentage of NYUHC’s inpatient revenue as Medicaid managed care plans contract with hospitals on a negotiated-rate basis. See “Reimbursement Methodologies – Managed Care” herein.

Effective December 1, 2009, the New York State Department of Health implemented the All Patient Refined Diagnosis Related Groups (“APR-DRGs”) payment methodology to reimburse hospitals for inpatient

services furnished to Medicaid beneficiaries. Many Medicaid Managed Care, Workers Compensation and No-Fault insurance also reimburse providers for inpatient services under an APR-DRG payment methodology. APR-DRGs expand the basic DRG structure by adding four subclasses to each DRG to incorporate severity of illness (“SOI”). APR-DRGs assign each case to one of 314 possible DRGs based on the reason for admission and the SOI. Each DRG SOI combination is associated with a specific relative weight. The rate of reimbursement for each case is calculated by multiplying the relative weight by a statewide operating cost-based price, which is adjusted by certain hospital-specific factors (e.g., a wage equalization factor and indirect medical education percentage) and then adding additional reimbursement for certain other factors, such as direct medical education and certain “non-comparable adjustments” (e.g., ambulance services).

Beginning in 2011, the New York State Budget included reductions in reimbursements to providers in a wide variety of areas. In addition, many modifications occurred as a result of the recommendations of the “Medicaid Redesign Team.” One of the key provisions is an overall state spending cap, which if exceeded, will result in further reimbursement cuts. To date, Medicaid spending in New York State has remained below the cap. Nevertheless, it remains uncertain whether the state will be able to keep spending below the limit in future years without resorting to additional rate cuts.

NYUHC is reimbursed for hospital outpatient services, including emergency departments and ambulatory surgery departments, furnished to Medicaid beneficiaries under a payment methodology based on Ambulatory Patient Groups (“APGs”). New York State Department of Health began phasing in this payment methodology in December 2008 and the phase-in was completed as of January 1, 2012. Some hospital outpatient services furnished to Medicaid Managed Care beneficiaries, Family Health Plus beneficiaries or services certified under the Mental Hygiene Law are exempted from this payment methodology. The APG methodology reimburses NYUHC and other acute care prospective payment hospitals in New York, based on patients’ conditions and the severity of those conditions. It packages the cost of certain ancillary laboratory and radiology services into the overall payment. Provider payments are directly related to the actual services provided based on patient diagnosis and the codes reported on the Medicaid claim. Medical services requiring a higher level of professional and ancillary care are paid at a higher rate than those of lower intensity.

Effective for admissions on or after October 20, 2010, the New York State Department of Health implemented a new Medicaid inpatient psychiatric exempt unit reimbursement methodology. The new methodology is based on a per diem rate method which uses the APR-DRG patient classification system, per diem service intensity weights and various payment factors to reimburse hospitals for services provided in inpatient psychiatric exempt units. New York State moved from a fee-for-service reimbursement methodology for outpatient psychiatric services retroactive to October 2010.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints.

There are various proposals at the federal and state levels that could, among other things, significantly reduce reimbursement rates or modify reimbursement methods. The ultimate outcome of these proposals and other market changes cannot presently be determined. Future changes in the Medicaid program and any reduction of funding could have an adverse impact on NYUHC.

### *Managed Care*

Managed care programs, which include various payment methodologies and utilization controls through the use of primary care physicians, case managers and other care coordinators are increasingly being offered by traditional insurance companies and managed care organizations in New York State. Payment methodologies include per diem rates, per discharge rates, discounts from established charges, fee schedules and capitation payments. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which health care services are delivered and paid for in the future. Managed care programs are expected to reduce significantly the utilization of health care services, and inpatient services in

particular. In addition, some managed care organizations have been delaying reimbursements to hospitals thereby affecting institution cash flows. NYUHC's financial condition may be adversely affected by these trends.

NYUHC has established relationships with almost all the managed care companies in the market and these contracts cover most products (health maintenance organization ("HMO"), point of service, preferred provider organization ("PPO"), exclusive provider organization ("EPO") and payor types (Medicare, Medicaid and commercial)). The four managed care companies that represent the largest component of managed care commercial and Medicare business for NYUHC are Empire Blue Cross, Oxford Health Plans, Aetna US Healthcare and United Healthcare.

The majority of the commercial managed care reimbursement is paid on a discounted fee-for-service basis. Financial terms are established based upon the size of health plan membership and the ability of the company to direct patients to NYUHC. Separate rates are established for each product line (Medicare, Medicaid, Indemnity, HMO and PPO). Most commercial inpatient contracts are based on current CMS methodology with additional outlier per diems payment triggering for long stay cases that exceed a DRG specific LOS target and a case rate structure for maternity with outlier per diems triggering beyond a defined length of stay threshold. Psychiatry, epilepsy and rehabilitation services are generally negotiated on a per diem basis. Global rates, which are composite rates that include hospital and physician services, have been established for select transplant services. Outpatient services are reimbursed based on a combination of a percent of charges, fixed fee schedules, case rates and unit rates. Also almost all commercial contracts require separate payment for implantable and specialty drugs which provides some protection against changes in technology.

Most Medicaid managed care members are enrolled with Prepaid Health Services Plans ("PHSPs"). PHSPs are managed care companies that were enabled by New York State as part of the federal waiver it received to enroll Medicaid eligible patients in managed care. NYUHC has taken steps to address the implementation of mandatory Medicaid enrollment in New York City through contracting initiatives and operational re-engineering. A major part of this initiative was purchasing an ownership interest in Healthfirst, Inc., a Medicaid HMO owned collectively by a consortium of hospitals in the region and one of the largest PHSPs in New York City. Additionally, NYUHC is contracted with several other Medicaid managed care plans in its service area.

### **Employees and Benefit Programs**

As of August 31, 2014, NYUHC had 8,905 full-time equivalent ("FTE") employees, including 1,572 FTE registered nurses and 11 FTE licensed practical nurses. NYUHC employs approximately 3,465 employees represented by Service Employees International Union Local 1199 ("Local 1199"). The Local 1199 employees include selected professional staff (physical therapists, pharmacists, social workers, etc.), technical staff (clinical laboratory technicians/technologists, x-ray technicians, EKG technicians, pharmacy technicians, etc.), ancillary staff (licensed practical nurses, physical therapy and occupational therapy assistants, pharmacy aides and secretaries in the clinical areas), service staff (building service staff, food service staff, etc.), and registered nurses at NYUHJD. NYUHC's Collective Bargaining Agreement with Local 1199 expires on September 30, 2018. NYUHC also employs approximately 153 employees represented by the International Brotherhood of Teamsters, Local 810 ("Local 810"). These employees include skilled craftpersons such as electricians, plumbers, painters, refrigeration mechanics and carpenters. NYUHC's Collective Bargaining Agreement with Local 810 expires June 30, 2019. In addition, NYUHC employs approximately 116 employees represented by Local One of the Security Officers Union ("Local One"). These employees include security officers, security specialists and security sergeants. The Collective Bargaining Agreement with Local One expires on March 1, 2019. NYUHC also employs approximately 8 security officers at the HJD Campus who are represented by the Brotherhood of Security Personnel Officers and Guards International Union (the "Brotherhood"). The collective bargaining agreement with the Brotherhood expires on January 31, 2016. Management believes its relationship with its employees to be generally good. NYUHC is self-insured for the medical and pharmaceutical benefits for its employees.

### **Pension Programs**

Substantially all NYUHC employees are covered by defined contribution plans or defined benefit plans sponsored by NYUHC or operated by collective bargaining organizations. NYUHC contributes to the union-based defined contribution plans based on rates required by union or other contractual arrangements. For a discussion of

certain risks associated with multiemployer benefit plans, see “Bondowners’ Risks and Matters Affecting the Health Care Industry – Multiemployer Pension Plans” herein and footnote 8 in Appendix B of the Official Statement.

In addition, NYUHC contributed \$24.8 million to NYUHC-sponsored defined contribution plans in 2014. The NYUHC-sponsored defined benefit plan was frozen as of July 1, 2000 and is no longer available to any new participants. Contributions to the defined benefit plan are intended to provide for benefits attributed to service to date as well as those expected to be earned in the future. They are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 plus such additional amounts as the sponsors may deem appropriate from time to time. NYUHC made a \$14.9 million contribution to the NYUHC-sponsored defined benefit plan in 2014 and no contribution in 2013. Pension benefits under the defined benefit plan is based on participants’ final average compensation levels and years of service. The measurement date for the defined benefit plan is August 31. As of August 31, 2014, the defined benefit plan was approximately 78.3% funded. See footnote 8 to Appendix B to the Official Statement for additional information.

NYUHC offers a 457(b) plan to certain employees. Contributions, through payroll deductions, are made solely by employees. In addition to the pension plans, NYUHC provides health care benefits, including prescription drug benefits and life insurance benefits to its retired employees if they meet certain age and service requirements of the plan while working for NYUHC.

### **Financial Assistance Policy**

NYUHC offers reduced fees and flexible payment plans for medically necessary outpatient, emergency and inpatient care to New York State residents regardless of their ability to pay. Fees are based on the ability to pay, as measured by income and/or assets, family size and place of residence. A sliding scale fee applies to inpatient stays, clinic visits and emergency room visits. Fees are based on need as defined by federal guidelines. NYUHC’s policy exceeds the requirements for providing financial assistance to low-income, uninsured patients enacted by the New York State Legislature.

### **Licensure and Accreditation**

NYUHC is licensed by DOH and accredited by The Joint Commission and the Commission on the Accreditation of Rehabilitation Facilities. NYUHC is also certified by the United States Department of Health and Human Services for participation in the Medicare and Medicaid programs.

### **Professional and General Liability Insurance Program**

NYUHC carries the following coverages: all-risk property insurance on its buildings and contents, including fire and allied lines and boiler and machinery written on a replacement cost basis; commercial general liability insurance with a combined single limit of \$2 million per occurrence and \$3 million annual aggregate limit for third party property damage and bodily injury; vehicle liability and is self-insured for physical damage insurance covering its leased and owned vehicles; commercial crime and fidelity insurance; directors and officers liability insurance; and miscellaneous errors and omissions coverage. NYUHC also carries excess umbrella liability policies with a combined limit of \$500 million per occurrence/aggregate above the general liability policy. In addition to these policies, NYUHC is self-insured for statutory workers’ compensation and disability insurance as required by law. NYUHC maintains professional liability insurance, which consists of a combination of captive insurance and commercial insurance. See footnote 7 to Appendix B of the Official Statement for information concerning NYUHC’s professional liability insurance program, actuarial estimates relating to loss reserves, and the status of deferred premiums. In the opinion of management, based on prior experience, NYUHC’s potential liability losses are adequately insured. NYUHC’s July 1, 2014 to July 1, 2015 property policy contains limits of liability for flood that provides \$250 million in the aggregate during any policy year, but with a sublimit of \$40 million in the aggregate during any policy year for property located at 550, 560, 562 and 546 First Avenue, 401 and 435 E 30th Street, 317 and 400 E. 34th Street and 3010 FDR Drive. In addition, for the aforementioned addresses, there is an excess flood policy with limits of \$160 million in the aggregate. NYUHC is actively seeking to increase these limits of liability. However, there can be no assurances that such additional limits of liability will be obtained.

## **Litigation and Investigations**

Professional and general liability claims have been asserted against NYUHC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to NYUHC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. There is no litigation pending or threatened against NYUHC (other than claims against which NYUHC is fully insured) that, in the opinion of management, would materially adversely affect NYUHC's ability to meet its obligations with respect to the Series 2014 Bonds.

## **PART 8 - RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP**

The following discussion of risks to holders of the Series 2014 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2014 Bonds, in addition to other risks described throughout the Official Statement. Please note that the following risk factors and regulatory considerations are described in the context of NYUHC as the sole current Member of the Obligated Group. To the extent that additional entities become Members of the Obligated Group in the future, these risk factors and regulatory considerations would generally be applicable to the Obligated Group as a whole.

The revenue and expenses of NYUHC are affected by the changing health care environment. These changes are a result of efforts by the federal and state governments, managed care organizations, private insurance companies and business coalitions to reduce and contain health care costs, including, but not limited to, the costs of inpatient and outpatient care, physician fees, capital expenditures and the costs of graduate medical education. In addition to matters discussed elsewhere herein, the following factors may have a material effect on the operations of NYUHC to an extent that cannot be determined at this time.

### *General*

The receipt of future revenues by NYUHC is subject to, among other factors, federal and state regulations and policies affecting the health care industry; the policies and practices of managed care providers, private insurers and other third-party payors; and private purchasers of health care services. The effect on NYUHC of future changes in federal and state policies and regulations and private policies cannot be determined at this time. Loss of established managed care contracts by NYUHC could also adversely affect the future revenues of NYUHC.

Future revenues and expenses of NYUHC may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as demand for health care services; the capability of the management of NYUHC; the receipt of grants and contributions; referring physicians' and self-referred patients' confidence in NYUHC; and increased use of contracted discounted payment schedules with managed care organizations. Other factors which may affect revenues and expenses include the ability of NYUHC to provide services required by patients; the relationship of NYUHC with physicians; the success of NYUHC's strategic plans; the degree of cooperation among and competition with other hospitals in NYUHC's area; changes in levels of private philanthropy; malpractice claims and other litigation; economic and demographic developments in the United States and in the service areas in which NYUHC is located; changes in investment results; and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. All of the above referenced factors could affect NYUHC's ability to make payments pursuant to the Indenture and under the Series 2014 Obligation. See the consolidated financial statements, related notes and other financial information included in Appendix B of the Official Statement.

### *National Health Reform*

As a result of the Patient Protection and Affordable Care Act, enacted in March 2010, as amended by the Health Care and Education Reconciliation Act (the "ACA"), substantial changes have occurred and are anticipated in the United States health care system. Some provisions of the ACA took effect immediately, while others will take

effect at later dates or will be phased in over time. Such legislation has been intended by its supporters to be transformative and includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. These provisions are slated to take effect at specified times over approximately the next decade, and, therefore, the full consequences of the ACA on the health care industry will not be immediately realized. Due to the complexity of the ACA, the ramifications of federal health care reform legislation may also become apparent only following implementation or through later regulatory and judicial interpretations. Portions of the ACA may also be limited or nullified as a result of legal challenges or amendments. In addition, the uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk factor.

The changes in the health care industry brought about by the ACA will likely have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including NYUHC. For example, the number of individuals with health care insurance is expected to increase as a result of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the federal mandate for individuals to purchase health insurance. This could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. Conversely, the legislation's cost-cutting provisions to the Medicare program, which include reductions in Medicare market basket updates to hospital reimbursement rates under the inpatient PPS over the next ten years, as well as reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions, will likely result in a significant negative impact to the hospital industry overall.

Health care providers likely will be further subject to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board ("IPAB"), whose mandate is to reduce Medicare cost growth. There are numerous bills calling for the repeal of the IPAB's mandate, including pending legislation that was introduced in 2013 in the United States House of Representatives and United States Senate. If the IPAB survives these attacks, the ACA directs it to propose recommendations to Congress for reducing the rate of growth of Medicare expenditures beneath a prescribed inflation rate beginning in 2014. However, members of the IPAB have not yet been appointed, and the IPAB has not yet issued any recommendations. The ACA provides for the IPAB's recommended cost reductions to be automatically implemented if Congress does not adopt alternative legislation that meets equivalent savings targets. Hospitals are not subject to cost reductions proposed by the IPAB until after 2019. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

The ACA likely will affect some health care organizations differently than others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care. The ACA proposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The legislation also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of their being made permanent or expanded, or their effect on health care organizations' revenues or financial performance, cannot be predicted.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases funding for enforcement and efforts to recoup prior federal health care payments to providers. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt compliance and ethics programs. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provide new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments.

Some of the specific provisions of the ACA that may affect NYUHC's operations, financial performance or financial condition are described below. *This listing is not intended to be, nor should it be considered by the reader as, comprehensive. The ACA is complex and comprehensive, and includes myriad new programs and initiatives and changes to existing programs, policies, practices and laws. Prospective purchasers of the Series 2014 Bonds are encouraged to review the ACA itself and/or more comprehensive summaries and analyses of the ACA available in the public media.*



Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a “market basket” of estimated cost increases, which have averaged approximately 2-4% annually in recent years. The ACA provides for three types of annual reductions in the market basket. The first is a general reduction of a specified percentage in each federal fiscal year beginning in 2010 and extending through 2019, increasing from 0.10% to 0.75 % each year. The second type of reduction is a “productivity adjustment” based on national economic productivity statistics. For federal fiscal year 2015, this adjustment resulted in a .5% reduction in the “market basket” update. It is anticipated that similar reductions may be imposed in future years.

The third type of reduction is in connection with Medicare’s value-based purchasing program. Beginning in federal fiscal year 2013, Medicare inpatient payments to hospitals were reduced by 1%, and will progress to 2% by federal fiscal year 2017. For each federal fiscal year, the total amount collected from these reductions will be pooled and used to fund payments to hospitals that meet “value-based purchasing” standards for treatment of certain conditions. While the reductions may be offset or recovered in full if a hospital satisfies the specified quality metrics, the recovery amounts may be delayed. For federal fiscal year 2015, Medicare inpatient payments to hospitals are reduced by 1.5%.

The CMS actuary projects that these combined general reductions and productivity adjustments to the market basket update will result in Medicare savings of approximately \$112 billion.

Hospital Acquired Conditions Penalty. Beginning in federal fiscal year 2015, Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” will be reduced by 1% for all discharges for the applicable federal fiscal year. In addition, the ACA provided that, as of July 1, 2011, CMS would no longer provide federal funding to states for any amounts expended by providers in treating “provider-preventable conditions.” CMS has also directed states to submit amendments to their Medicaid state plans to require payment denials for the cost of treating such conditions, consistent with the prohibition on federal reimbursement. DOH issued an emergency New York state regulation, effective December 6, 2011, that denied payment for several “potentially preventable negative outcomes,” retroactive to Medicaid discharges from July 1, 2011. This regulation was formally adopted on February 1, 2014. The conditions included under this regulation are far more extensive than those included in the Medicare “hospital-acquired conditions,” although New York State estimates that they are limited to less than 0.1% of Medicaid discharges.

Readmission Rate Penalty. Beginning in federal fiscal year 2013, Medicare inpatient payments to each hospital were reduced based on the dollar value of that hospital’s percentage of preventable Medicare readmissions for certain medical conditions. For federal fiscal year 2015, a hospital’s payments can be reduced by a maximum of 3%. In addition, the ACA allows for expansion of the conditions measured for readmission rate penalties beginning in federal fiscal year 2015, pursuant to which CMS expanded the applicable conditions for fiscal year 2015 to include two additional conditions.

DSH Funding. Beginning in federal fiscal year 2014, hospitals receiving supplemental disproportionate share hospital (“DSH”) payments from Medicare (i.e., those hospitals that care for a disproportionate share of Medicare beneficiaries) have had their DSH payments reduced by up to 75% (offset however, by the level of uninsured that remains). The base 25% is supplemented by additional payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the ACA take effect. Separately, beginning in federal fiscal year 2016, Medicaid DSH allotments to each state also will be reduced, based on a methodology to be determined by the United States Department of Health and Human Services (“DHHS”), accounting for statewide reductions in uninsured and uncompensated care.

Payments to Medicare Advantage Plans. Hospitals also receive payments from health plans under the Medicare Advantage program. Since 2006, Medicare has paid plans under a bidding process whereby plans submit “bids” to Medicare based on estimated costs per enrollee for services covered under Medicare Parts A and B. The bids are compared to benchmark amounts that are set by a statutory-established formula and which vary by count or region. The benchmarks are the maximum amount that Medicare will pay a plan in a given area. If a plan’s bid is higher than the benchmark, enrollees pay the difference between the benchmark and the bid in the form of a monthly premium, in addition to the Medicare Part B premium. If the bid is lower than the benchmark, the plan and Medicare split the difference between the bid and the benchmark. The plan’s share of the difference must be used to provide supplemental benefits to enrollees. Medicare payments to plans are then adjusted based on enrollees’ risk profiles.

The ACA made several changes to the calculation of the benchmark for each county, including tying benchmarks to the average expenditures in the fee-for-service program in each county. Changes to the fee-for-service program will result in lower fee-for-service payments, which will then result in lower Medicare Advantage benchmarks with reductions in the benchmarks phased-in over time such that by 2017, certain Medicare Advantage plans will experience a reduction in their pre-ACA baseline payments. These reduced federal payments could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

The ACA is highly politicized. Initiatives to repeal it in whole or in part, to delay elements of implementation or funding, and to offer amendments or supplements to modify its provisions have been proposed. In 2012, the United States Supreme Court upheld the constitutionality of most but not all provisions of the ACA. At this time it is unclear what further action, if any, Congress, any future presidential administration or the federal courts may take with respect to the ACA. In this volatile context, no projections can be made as to the future implementation or content of the ACA. Based upon all of the above, it is more difficult for Management of NYUHC to project future performance than it has been in the past.

#### *Weak Economy*

The weak economy, including the downgrade of the long term credit rating of the United States by Standard & Poor's ("S&P") and financial difficulties in Europe, has had and may continue to have negative repercussions upon the United States and global economies. In the last few years, the weak economy has particularly affected the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

Hospitals are required to provide emergency care without regard to a patient's ability to pay. Poor economic conditions and increased unemployment can enlarge the population that does not have health care coverage and thus cannot pay for care out-of-pocket, which in turn can increase the uncompensated care that NYUHC provides. Tax-exempt hospitals, in particular, often treat large numbers of indigent patients who are unable to pay in full for their medical care. In addition, poor economic conditions and increased unemployment can lead patients to postpone or forego elective procedures, thereby reducing volume and revenue.

If the economy further weakens, health care providers could be materially and adversely impacted in a number of ways, including reduced investment income, reduced philanthropic donations, reduced access to the credit markets, difficulties in obtaining new liquidity facilities or extensions of existing liquidity facilities, significant draws on internal liquidity due to difficulties with remarketing existing variable rate bonds and commercial paper, increased risk of acceleration on variable rate bonds, increase in bad debt expense and charity care write-offs and increased borrowing costs, any of which may negatively affect the operations or financial condition of a provider.

#### *Legislative, Regulatory and Contractual Matters Affecting Revenue*

The health care industry is heavily regulated by federal and state governments. A substantial portion of NYUHC's revenue is derived from governmental sources. Governmental revenue sources are subject to legislative and policy changes by the governmental and private agencies that administer Medicare, Medicaid, other third-party payors, and governmental payors and actions by, among others, The Joint Commission, CMS, and other federal, state and local government agencies. These agencies have broad discretion to alter or eliminate programs that contribute significantly to revenues of NYUHC. In the past, there have been frequent and significant changes in the methods and standards used by government agencies to reimburse and regulate the operation of hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or that they will be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on NYUHC cannot be predicted.

NYUHC has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and NYUHC-specific data. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve

as the basis for final settlement with government payors, are still open for multiple years. Recorded estimates may change by a material amount when open years are settled and additional information is obtained. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

### *State Budget*

In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team and setting in motion a process of substantial reform of New York's Medicaid program. The Medicaid Redesign Team, comprised of health care professionals, stakeholders in the industry and legislators, was charged with reducing Medicaid costs and improving patient care. On February 24, 2011, the Medicaid Redesign Team issued a report containing findings and recommendations for cost reductions of over \$2.3 billion to the Governor for consideration in the budget negotiation process. The majority of these recommendations (so-called "Phase I" proposals) were included in the 2011-2012 Final Budget and passed by the New York legislature on March 31, 2011. The 2012-2013 Final Budget, passed by the New York legislature on March 30, 2012, included a number of Phase II proposals designed to continue the reformation of Medicaid within New York. The 2013-2014 Final Budget, passed by the New York legislature on March 28, 2013, and the 2014-2015 Final Budget, passed by the New York legislature on March 31, 2014, each included additional recommendations, described in more detail below.

The 2011-2012 Final Budget (implementing Phase I) included a series of changes and cost-containment measures such as programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers; a 2% across-the-board rate reduction and other industry-specific measures; the acceleration of certain payments to take advantage of additional enhanced Federal Medical Assistance Percentage payments; mandatory managed care enrollment of previously exempt population; changes in the benefit package and reimbursement for certain overused benefits; and creation of new integrated care models anticipated to save Medicaid dollars in the long run by improving patient care. The 2012-2013 Final Budget (implementing Phase II) continued the work of the Medicaid Redesign Team and included provisions calling for further redesign of the basic benefit package; additional initiatives to provide integrated care; and a state takeover of Medicaid administration from local governments. The 2013-2014 Final Budget includes further expansion of eligibility for and the scope of services provided by managed care plans and acceleration of several cost-saving Medicaid Redesign Team initiatives to offset the cost of creating a Mental Hygiene Stabilization Fund. The 2014-2015 Final Budget includes further provisions implementing the work of the Medicaid Redesign Team, including integration of physical and behavioral health services through Behavioral Health Organizations and Health and Recovery Plans, an increase in funding available for affordable housing, and an increase in payments to essential community providers.

Each of the Final Budgets for 2011-2012 through 2014-2015 assume a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index (currently 3.8%) and grant DOH and the State Department of Budget authority to hold Medicaid spending to this rate. If spending is projected to exceed the budget cap, DOH and the State Department of Budget are authorized to develop and implement a plan of action to bring spending in line with the cap, which could include modifying or reducing reimbursement methods or program benefits. The 2014-2015 Final Budget permits the State Department of Budget to adjust the budget cap to allow for increased spending due to natural disasters. This authority expires after the 2014-2015 budget year; however, the cap remains in place through the 2015-2016 budget year and the statutory authority likely will be extended in subsequent years. For 2011-2012, the budget cap required DOH to achieve savings of \$2.2 billion, which grew to \$3.3 billion in 2012-2013. For 2013-2014 the global spending cap was increased to \$16.5 billion, and for 2014-2015 the global spending cap was further increased to \$17 billion. On May 1, 2012, Governor Cuomo announced that the 2011-2012 budget year ended with Medicaid spending being \$14 million below the global spending cap. The 2012-2013 budget year ended with Medicaid spending being \$2 million below the global spending cap. The 2013-2014 budget year ended with Medicaid spending being \$39 million below the global spending cap. Although successful in meeting the budget cap in the first three years, higher-than-average Medicaid enrollment threatens the ability of DOH to continue to meet the ambitious savings goal in future years.

Although the Final Budgets for 2011-2012 through 2014-2015 contain the statutory tools necessary to implement the recommendations of the Medicaid Redesign Team, there can be no assurance that these proposals will achieve the level of gap-closing savings anticipated or limit the rate of annual growth in DOH State Funds Medicaid spending. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals,

appropriate amendments to the existing systems and processes and a collaborative working relationship with health care industry stakeholders.

The effect of the Medicaid redesign process on NYUHC will depend significantly on participation in new models of integrated care delivery, the ability to collaborate with different types of providers and relationships with Medicaid managed care plans, as those plans will play an increasingly larger role over the next several years.

#### *Medicare and Medicaid Reimbursement*

A portion of NYUHC's revenue is derived from the Medicare and Medicaid programs.

Health care providers have been and will likely continue to be affected significantly by changes in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MMA") contained many significant changes to the Medicare program, including the availability of prescription drug coverage. The Deficit Reduction Act of 2005 (the "DRA") also contained significant changes including, among other things, various provisions to decrease spending growth in the Medicare program while increasing health care providers' focus on quality and efficient delivery of health care services. The ACA has continued this trend toward greater cost containment and performance-based payments. See "Reimbursement Methodologies – Medicare – Inpatient-Based Payment System" and "Bondowners' Risks and Matters Affecting the Health Care Industry – National Health Reform" herein. Diverse and complex statutory and regulatory mechanisms, the effect of which is to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs, have been enacted and approved in recent years. It is impossible to predict what effect, if any, current and future legislative initiatives related to Medicare and Medicaid may have on the operations of NYUHC.

Physician Payments. Certain physician services are reimbursed on a national fee schedule called the "resource-based-relative-value scale" ("RB-RVS"). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate ("SGR"), which is a limit on the growth of Medicare payments for physician services, is linked to changes in the United States Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Since 2003, Congress has passed legislation to delay application of the SGR. On March 31, 2014, Congress enacted legislation postponing implementation of SGR cuts, which averted an approximate 24% reduction to all physician payments reimbursed under fee schedules, which is effective only until March 1, 2015. There can be no assurance that Congress again will intervene to prevent the SGR payment reduction or, if delayed again, when the SGR formula will take effect, if ever.

Capital Costs. Hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Thus, capital costs are paid exclusively on the basis of a standard federal rate (based on average national costs), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to NYUHC.

There can be no assurance that the prospective payments for capital costs will be sufficient to cover the actual capital-related costs of NYUHC allocable to Medicare patient stays or to provide adequate flexibility in meeting NYUHC's future capital needs.

Compliance and Reimbursement. Hospitals must comply with standards called "Conditions of Participation" to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under applicable Medicare rules, hospitals accredited by The Joint Commission are deemed to meet the Conditions of Participation. Failure to maintain The Joint Commission accreditation or to otherwise comply with the Conditions of Participation or other applicable state licensing requirements could have a material adverse effect on the revenues of NYUHC. There can be no assurance that the NYUHC will continue to receive The Joint Commission accreditation in the future.

CMS also has announced an initiative to require all Medicare-certified providers, including hospitals, to revalidate their Medicare enrollment records by March 2015 in order for CMS to implement new screening criteria mandated by the ACA. Under this initiative, Medicare contractors will send mandatory revalidation requests to

providers, who will have a limited time to respond to the requests. Failure to timely revalidate Medicare enrollment records for any hospital facility could result in deactivation or termination of a hospital's provider agreement, which could adversely affect the hospital's patient services revenues and financial performance.

In 2009, CMS published the final rule adopting the International Classification of Diseases, 10th Revision coding system ("ICD 10"), requiring health care organizations to implement ICD 10 no later than October 2013. In July 2014, DHHS issued a rule delaying this compliance deadline until October 2015. ICD 10 provides a common approach to the classification of diseases and other health problems, allowing the United States to align with other nations to better share medical information, diagnosis, and treatment codes. ICD 10 is not without risk as staff will need to be retrained, processes redesigned, and computer applications modified as the current available codes and digit size will dramatically increase. Additionally, there is a potential for temporary coding and payment backlog, as well as potential increases in claims errors. Health care organizations will be dependent on outside software vendors, clearinghouses and third-party billing services to develop products and services to allow timely, full and successful implementation of ICD 10. Delays in the required implementation may occur if such ICD 10 products and services are not available to health care organizations from these outside sources well in advance of the new October 2015 deadline to allow for adequate testing and installation.

Future actions by the federal and state governments are expected to continue the trend toward more restrictive limits on reimbursement for hospital services. Management of NYUHC cannot assess or predict the ultimate effect of any such legislation or regulation, if enacted or adopted, on its operations.

#### *Regulatory Reviews and Audits*

Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

Audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare or Medicaid payments to health care providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a health care provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the False Claims Act to include retention of overpayments as a violation. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. See "Federal and State False Claims Acts" herein.

#### *Competition*

Payments to the hospital industry have undergone rapid and fundamental change triggered by the deregulation of the acute care hospital reimbursement system and the requirement to negotiate all non-government contracts and prices. Such changes may further increase competitive pressures on acute care hospitals, including NYUHC. NYUHC faces and will continue to face competition from other hospitals, integrated delivery systems and ambulatory care providers that offer similar health care services.

There are many limitations on the ability of a hospital to increase volume and control costs, and there can be no assurance that volume increases or expense reductions needed to maintain the financial stability of NYUHC will occur.

Management believes that insurers will encourage competition among hospitals and providers on the basis of price, payment terms and quality. Payors have used the threat of patient steerage, restrictive physician contracting, carve outs, and network exclusion to drive provider prices lower. This may lead to increased competition among hospitals based on price where insurance companies attempt to steer patients to the hospitals that have the most favorable contracts.

### *Workforce Shortages*

Workforce shortages are affecting health care organizations at the local, regional and national level. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect NYUHC's ability to control costs and its financial performance.

In order to recruit and retain professional and nursing staff to strengthen clinical services, NYUHC has offered, and in the future intends to offer, competitive salaries to both newly recruited individuals and existing staff. In some years such salaries have increased, and in the future may continue to increase, more than the rate of inflation. Such increases in the future may exceed increases in NYUHC's rates of payment.

### *Labor Relations and Collective Bargaining*

Hospitals and other health care providers often are large employers with a wide diversity of employees. Increasingly, employees of hospitals and other providers are becoming unionized, and many hospitals and other providers, including NYUHC, have collective bargaining agreements with one or more labor organizations. See "Employees and Benefit Programs" herein. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to NYUHC. In addition, employee strikes or other adverse labor actions may have an adverse impact on NYUHC.

### *Multiemployer Pension Plans*

Certain of the employees of NYUHC are covered by a defined benefit multiemployer pension plan (the "Plan") to which NYUHC makes contributions pursuant to collective bargaining agreements. The Plan covers employees of multiple unrelated employers, and employers do not typically have access to complete and current information concerning the funding status of the Plan. Plans carry with them the risk that benefit liabilities associated with one participating employer may, over time, be shouldered by other participating employers through increased contributions payable by them, for example where a participating employer is unable to make its required contributions (e.g., due to bankruptcy). Further, under pension regulations, all members of a "controlled group," including such a participating employer, determined under Internal Revenue Service rules, generally are jointly and severally liable together with such participating employer to make contributions to the Plan.

If NYUHC withdraws from the Plan in a complete or partial withdrawal, NYUHC and all members of NYUHC's controlled group may be jointly and severally liable for withdrawal liability to the Plan. Such withdrawal liability typically is in addition to the collectively bargained obligation to contribute and represents NYUHC's share, computed under rules established by the Plan pursuant to applicable law, of the aggregate unfunded vested benefit liabilities of the Plan.

NYUHC, and members of NYUHC's controlled groups are subject to various risks, including but not limited to lack of transparency concerning the full extent of the funding status of the Plan; lack of transparency concerning creditworthiness of other employers participating in the Plan (and attendant risk liability for shortfalls in funding by such other employers); unpredictable spikes in pension cost upon renewal of collective bargaining agreements due to underfunding of the Plan resulting from failure by other employers to contribute to the Plan as required or other causes such as adverse investment results with respect to Plan assets or increases in Plan liabilities due to benefit increases or changes in actuarial assumptions; withdrawal liabilities as described above; and other factors which may be outside the knowledge or control of NYUHC.

Under current generally accepted accounting principles, the extent of any funding shortfall in a Plan is not recorded as a liability of a participating employer on its financial statements, although the amount of such funding shortfall which may be allocated to such participating employer may be material.

NYUHC's financial statements reflect certain additional information concerning the extent of its participation in the Plan, the most recent certified funding "zone" status of the Plan, and certain other information, not including the dollar amount of any current underfunding of the Plan (which, as noted above, is not generally known by NYUHC on a current basis).

## *Federal “Fraud and Abuse” Laws and Regulations*

The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, in return for or to induce business that may be paid for, in whole or in part, under a federal health care program including, but not limited to, the Medicare or Medicaid programs. The ACA amended the Anti-Kickback Law to provide that a claim that includes items or services resulting from a violation of the Anti-Kickback Law now constitutes a false or fraudulent claim for purposes of the False Claims Act. Violation of the Anti-Kickback Law is a felony, subject to a maximum fine of \$25,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The Office of the Inspector General (“OIG”), the enforcement arm of the DHHS, can also initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of up to \$50,000 for each act in violation of the Anti-Kickback Law or damages equal to three times the amount of prohibited remuneration may be imposed and violation of this law also renders the violator civilly liable under the False Claims Act. The scope of prohibited payments in the Anti-Kickback Law is broad and includes many economic arrangements involving hospitals, physicians, and other health care providers, including (but not limited to) joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts.

The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict due, in part, to government discretion in pursuing enforcement and the lack of significant case law.

## *Federal and State False Claims Acts*

The federal criminal False Claims Act (“criminal FCA”) makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The federal civil False Claims Act (“civil FCA”), is one of the government’s primary weapons against health care fraud. Under the civil FCA, those who knowingly submit, or cause another person or entity to submit, false claims for payment of government funds are liable for three times the government’s damages plus civil penalties of \$5,500 to \$11,000 per false claim. On May 20, 2009, the Fraud Enforcement and Recovery Act of 2009 (“FERA”) was signed into law. It included significant amendments to the civil FCA. Among other items, FERA expanded the scope of potential civil FCA liability, increased the Attorney General’s power to delegate authority to investigate a civil FCA case prior to intervening in a civil FCA action, and increased protections for whistleblower plaintiffs beyond employees.

The ACA also amended the civil FCA by expanding the numbers of activities that are subject to enforcement as violations of the civil FCA, including, among other actions, failure to report and return to a federal health care program a known overpayment within 60 days of having identified the overpayment or, for cost-reporting entities, the date (if later) on which a hospital cost report is due. The State of New York also has a False Claims Act that closely tracks the civil FCA (the “New York State FCA”). It imposes penalties and fines on individuals and entities that file false or fraudulent claims for payment from any state or local government, including health care programs such as Medicaid. The civil FCA and New York State FCA also permit individuals to initiate actions on behalf of the government in lawsuits called *qui tam* actions. These *qui tam* plaintiffs, or “whistleblowers,” can share in the damages recovered by the government.

Under the civil FCA and New York State FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims or failing to refund known overpayments. Civil FCA and New York State FCA violations have been alleged solely on the existence of alleged kickback or self-referral arrangements. Even in the absence of evidence that literally false claims have been submitted, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA and New York State FCA. Other civil FCA and New York State FCA cases have proceeded on a theory that providers are liable for the submission of false claims when they are not in full compliance with applicable legal and regulatory standards. It is impossible to predict with certainty whether courts will uniformly hold that regulatory non-compliance or self-referral violations are subject to prosecutions as false claims. If a provider is faced with a civil FCA or New York State FCA prosecution based on one of these theories, however, allocation of the funds required to contest or settle the matter could have a material adverse impact on that provider and, potentially, its affiliates.

Violations of the civil FCA and New York State FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties.

#### *Limitations on Certain Arrangements Imposed by Federal Ethics in Patient Referrals Act*

The Federal Ethics in Patient Referrals Act (known as the “Stark Law”) prohibits the referral of Medicare and Medicaid patients for certain “designated health services” to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship. The statute also prohibits the entity furnishing the designated health services from billing the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The designated health services subject to these prohibitions are clinical laboratory services, physical and occupational therapy services, radiology services (including magnetic resonance imaging, computerized tomography and ultrasound), radiation therapy services and supplies (not including nuclear medicine), durable medical equipment and supplies, parenteral and enteral nutrients (including equipment and supplies), orthotic and prosthetic devices and supplies, speech language pathology, home health services, outpatient prescription drugs and inpatient and outpatient hospital services (not including lithotripsy).

The New York Health Care Practitioner Referral Law (the “State Provisions”) is similar to the Stark Law; however, it covers all patients (irrespective of payor) and prohibits practitioners from referring a patient to a health care provider for clinical laboratory services, x-ray imaging services, radiation therapy services, physical therapy, or pharmacy services if the referring practitioner (or an immediate family member) has a financial interest in the health care provider.

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as “Stark”) is defined as either an ownership or investment interest in the entity or a compensation arrangement between the practitioner (or immediate family member) and the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute “financial relationships” within the meaning of Stark.

The Stark provisions provide certain exceptions to these restrictions, but these exceptions are specific and an arrangement must fully comply with an exception. If the relationship (which would include compensation arrangements such as employment and other professional services relationships, and ownership or investment interests) between a physician/practitioner and the hospital cannot be made to fit within the exceptions, the hospital will not be permitted to accept referrals for designated services from the physician/practitioner who has such financial relationship.

Violations of Stark can result in denial of payment, substantial civil money penalties, and exclusion from the Medicare and Medicaid programs. In certain circumstances, knowing violations may also create liability under the False Claims Act. Enforcement actions for any such violations could have a material adverse impact on the financial condition of a health care provider, including NYUHC.

#### *Regulation of Patient Transfer*

Federal and New York laws require hospitals to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Congress enacted the Emergency Medical Treatment and Active Labor Act (“EMTALA”) in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient’s inability to pay for the services provided. EMTALA requires hospitals with emergency rooms, including NYUHC, to treat or conduct an appropriate and uniform medical screening for emergency conditions (including active labor) on all patients and to stabilize a patient’s emergency medical condition before releasing, discharging or transferring the patient to another hospital.

Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil penalties of up to \$50,000 per violation. In addition, the hospital is liable for any claim by an individual who has suffered harm as a result of such violation.



### *Civil Monetary Penalty Act*

The federal Civil Monetary Penalty Act (“CMPA”) provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as “gain sharing” by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also would be subject to CMPA penalties. A health care provider that provides benefits to Medicare or Medicaid beneficiaries that the provider knows or should know are likely to induce the beneficiaries to choose the provider for their care also would be subject to CMPA penalties. The CMPA authorizes imposition of a civil money penalty and treble damages.

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider’s financial condition. The ACA also amended the CMPA laws to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties.

### *Exclusions from Medicare or Medicaid Participation*

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. The New York State Office of the Medicaid Inspector General also has the authority to exclude individuals and entities from participation in Medicaid. Providers are excluded for reasons that may include program-related convictions, patient abuse or neglect convictions, and licensing board disciplinary actions. The ACA authorizes the Secretary of DHHS to exclude a provider from participation in Medicare and Medicaid, as well as to suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

### *Enforcement Activity*

Enforcement activity against health care providers has increased, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals will be subject to an investigation, audit or inquiry regarding billing practices or alleged false claims. Due to the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries are increasing and could result in enforcement action against NYUHC.

Enforcement authorities are sometimes in a position to compel settlements by providers charged with, or being investigated for, false claims violations by withholding or threatening to withhold Medicare, Medicaid or similar payments or by threatening the possibility of a criminal action. In addition, the cost of defending such an action, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, NYUHC could experience materially adverse settlement costs, as well as materially adverse costs associated with the implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation, business and credit of NYUHC, regardless of the outcome, and could have material adverse consequences on the financial condition of NYUHC.

The ACA provides funding of health care fraud initiatives in the amount of \$10 million per year for fiscal years 2011-2020 and an additional \$250 million over fiscal years 2011-2016.

### *Increased Enforcement Affecting Academic Research*

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also increased enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the NIH significantly increased the number of facility inspections that these agencies perform. The United States Food and Drug Administration (the “FDA”) also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in past “Work Plans” has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the NIH and other agencies of the United States Public Health Service. NYUHC receives payments for health care items and services under many of these grants and is subject to complex and ambiguous coverage principles and rules governing billing for items or services it provides to patients participating in clinical trials funded by governmental agencies and private sponsors. These agencies’ enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject NYUHC to sanctions as well as repayment obligations.

### *The American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”)*

The Stimulus Act includes several provisions that are intended to provide financial relief to the health care sector, including \$86.6 billion in federal payments to states to fund the Medicaid program and \$24.7 billion to provide a 65% subsidy to the recently unemployed for health insurance premium costs. The Stimulus Act also includes: \$19 billion to establish a framework for the implementation of a nationally based health information technology (“HIT”) program, including incentive payments to hospitals commencing fiscal year 2011; \$10 billion for health research and construction of NIH facilities; and \$1 billion for prevention and wellness programs. As a component of the federal objective of implementing electronic health records (“EHRs”) for all Americans by 2014, the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”) included in the Stimulus Act requires the development of regulations to establish HIT standards to which NYUHC physicians and acute care hospitals will be subject. Compliant physicians and acute care hospitals that are also “meaningful users” of EHRs were eligible for Medicare and Medicaid incentive payments generally beginning in fiscal year 2011. However, physicians must choose between receiving payments through the Medicare or Medicaid program, and hospital-based physicians are not eligible for the incentives. Beginning in 2015, hospitals and physicians who have not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments reduced. NYUHC is participating in the EHR incentive programs and has satisfied the performance and reporting criteria for demonstrating meaningful use; however, the effect of the Stimulus Act and any future regulatory actions on NYUHC cannot be determined at this time.

### *Department of Health Regulations*

NYUHC is subject to regulations of DOH. Compliance with such regulations may require substantial expenditures for administrative or other costs. NYUHC’s ability to add services or beds and to modify existing services materially is also subject to DOH review and approval. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, NYUHC’s ability to make changes to its service offerings and respond to changes in the regulatory environment may be limited.

### *New York State Executive Order*

On January 18, 2012, Governor Cuomo signed an Executive Order limiting spending for administrative costs and executive compensation at State-funded service providers. NYUHC may be subject to the limitations contained in the Executive Order. The Executive Order limits reimbursement with State funds for executive compensation to \$199,000 annually per executive and requires that 75% (increasing to 85% by April 1, 2015) of State-authorized payments be utilized for direct care or services, rather than administrative costs. In March 2013, DOH published a third version of proposed regulations to implement the Executive Order, which became effective July 1, 2013. On April 9, 2014, a New York trial-level court struck down the Executive Order, a decision which the State of New York plans to appeal. On July 29, 2014, a different New York trial-level court upheld the Executive

Order. Whether the Executive Order will remain in effect and the way in which the final regulations may impact NYUHC remain unclear. Accordingly, it is impossible at this time to predict what changes in accounting or practices might be required of NYUHC as a result of this Executive Order.

#### *Other Governmental Regulation*

NYUHC is subject to regulatory actions and policy changes by those governmental and private agencies that administer the Medicare and Medicaid programs and actions by, among others, the National Labor Relations Board, professional and industrial associations of staff and employees, applicable professional review organizations, The Joint Commission, the Environmental Protection Agency, the Internal Revenue Service (“IRS”) and other federal, state and local governmental agencies, and by the various federal, state and local agencies created by the National Health Planning and Resources Development Act and the Occupational Safety Health Act.

Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative activity or response by NYUHC. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse result could cause a loss or reduction in NYUHC’s scope of licensure, certification or accreditation, could reduce the payment received or could require repayment of amounts previously remitted to the provider.

#### *OIG and OMIG Compliance Guidelines*

On February 23, 1998, the OIG published Compliance Program Guidance (“CPG”) for the hospital industry. In recognition of the significant changes in the delivery and reimbursement for hospital services that have occurred since the CPG’s publication, the OIG published Supplemental Compliance Program Guidance on January 31, 2005. These issuances (collectively, the “Guidances”) provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable federal and state law and the program requirements of federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. NYUHC maintains a corporate compliance program that is designed to assist staff to meet or exceed applicable standards established by federal and state laws and regulations. However, the presence of a compliance program is not an assurance that health care providers, such as NYUHC, will not be investigated by one or more federal or state agencies that enforce health care fraud and abuse laws or that they will not be required to make repayments to various health care insurers (including the Medicare and/or Medicaid programs).

Since October 2009, hospitals in New York have been required by statute and regulation to have an effective compliance program. The compliance program must include, among other things, a chief compliance officer, written policies and the conduct of audits after the identification of risk areas. It is expected that the Office of the Medicaid Inspector General (“OMIG”) will conduct audits of compliance programs and assess their effectiveness. Under New York law, each year NYUHC must certify that it has a compliance program in place and that it has been effective.

#### *Not-for-Profit Status*

As a non-profit tax-exempt organization, NYUHC is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, NYUHC conducts large-scale complex business transactions and is a significant employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included

pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation.

Tax-Exempt Status. Hospitals are permitted to have tax-exempt status under the Code because the provision of health care for the benefit of the community historically has been treated as a “charitable” enterprise. This treatment arose before most Americans had health insurance, and when charitable donations were required to fund the health care provided to the sick and disabled. Some have posited that, with the onset of employer health insurance and government reimbursement programs, there is no longer any justification for special tax treatment for the not-for-profit health care sector, and the availability of tax-exempt status for hospitals should be eliminated. NYUHC management cannot predict the likelihood of such a dramatic change in the law. Any suspension, limitation, or revocation of the tax-exempt status of NYUHC or assessment of significant tax liability could have a material adverse effect on NYUHC. Federal and state tax authorities have increasingly demanded that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

Revision of IRS Form 990 for Not-for-Profit Corporations. The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including NYUHC) to submit information required by the federal government for tax exemption. The revised Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The revised form also requires the disclosure of a significantly greater amount of both hard data and anecdotal information on community benefits on Schedule H to the Form 990, and establishes uniform standards for reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to enhance transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make a wealth of detailed information on compliance risk areas available to the IRS and other enforcement agencies.

IRS Examination of Community Benefit. The IRS has undertaken a community benefit initiative directed at hospitals. The most recent IRS report on this initiative determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of community benefit, made it difficult for the IRS to assess whether any particular hospital is in compliance with current law. The revised Form 990 includes a new schedule, Schedule H, which hospitals must use to report their community benefit activities, including the cost of providing charity care and other information. Proposals have also been made within Congress to codify the requirements for hospitals’ tax-exempt status, including requirements to provide minimum levels of charity care.

The ACA imposes four new requirements on non-profit hospitals in order to maintain their tax-exempt status. First, each hospital must conduct a community health needs assessment at least once every three taxable years and adopt an implementation strategy to meet the needs identified, or be subject to an excise tax penalty of \$50,000. Hospitals must disclose a summary of the assessment and implementation strategy and audited financial statements on the IRS Form 990. The Secretary of the Treasury must review the community benefit activities of each tax-exempt hospital at least once every three years. Second, each hospital must adopt, implement and publicize a financial assistance policy and a policy relating to emergency medical care. Third, hospitals must limit the charges for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy to not more than the amounts generally billed to individuals who have insurance that covers such care. Finally, a hospital may not engage in extraordinary collection actions before making reasonable efforts to determine whether an individual is eligible for assistance under the organization’s financial assistance policy.

In addition, the Treasury Department is required to review information about each tax-exempt hospital’s community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

IRS Focus on Compensation, Private Benefit and Private Inurement. In 2004, the IRS began a new compliance program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) that examined tax-exempt hospitals’ practices and procedures with regard to compensation and benefits paid to their officers and other defined “insiders.” The IRS Final Report indicates that the IRS (1) will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations; and (2) in certain circumstances, may conduct further investigations or impose fines on such organizations.

As a tax-exempt organization, NYUHC is limited with respect to the use of practice income guarantees, reduced rent on medical office space, below market rate interest loans, joint venture programs, and other means of recruiting and retaining physicians. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities, including NYUHC, and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS has also commenced intensive audits of select health care providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a hospital’s tax-exempt status.

Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt health care providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by NYUHC.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an “excess benefit transaction” with a “disqualified person.” Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve “excess benefit.” “Excess benefit transactions” include transactions in which a disqualified person receives compensation for services that exceeds the fair market value of the services provided by the disqualified person. “Disqualified persons” include “insiders” such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person.

Any imposition of penalty excise tax in lieu of revocation, based upon a finding that NYUHC engaged in an excess benefit transaction would be likely to result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of NYUHC.

#### *Tax Audits*

Taxing authorities historically have conducted tax audits of non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. NYUHC is not currently under audit.

#### *Antitrust*

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances including medical staff privilege disputes, payor contracting,

physician relations, joint ventures, merger, affiliation and acquisition activities, and certain pricing and salary setting activities. Actions can be brought by federal and state enforcement agencies seeking criminal and civil penalties and, in some instances, by private litigants seeking damages for harm arising out of allegedly anti-competitive behavior. Common areas of potential liability include joint action among providers with respect to payor contracting, medical staff credentialing and issues relating to market share. Liability in any of these or other trade regulation areas may be substantial, depending on the facts and circumstances of each case. With respect to payor contracting, NYUHC, from time to time, may be involved in joint contracting activity with hospitals or other providers. The degree to which these or similar joint contracting activities may expose a participant to antitrust risk from governmental or private sources is dependent on myriad factors that may change from time to time. If any provider with which NYUHC is or becomes affiliated is determined to have violated the antitrust laws, NYUHC may be subject to liability as a joint actor.

Some judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Some court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary health care businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved. There can be no assurance that a third party reviewing the activities of NYUHC would find such activities to be in full compliance with the antitrust laws.

#### *Health Insurance Portability and Accountability Act*

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") established civil and criminal sanctions for health care fraud, which expanded upon prior health care fraud laws and applies to health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, securities, premiums, credits, property or other assets of a health care benefit program. A health care provider convicted of health care fraud would be subject to mandatory exclusion from the Medicare program.

HIPAA also required DHHS to adopt national standards for electronic health care transactions, including federal privacy standards for the protection of health information kept by health care providers, among others, that conduct certain financial and administrative transactions electronically (the "Privacy Rule") and standards relating to the security of such health information (the "Security Rule"). Compliance with the requirements of the Privacy Rule, the Security Rule and other HIPAA requirements has required NYUHC to develop and use policies and procedures designed to inform patients about their privacy rights and how their protected health information may be used, to keep protected information secure, to train employees so that they understand the privacy procedures and practices of NYUHC and to designate a privacy officer responsible for seeing that privacy procedures are adopted and followed. HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information.

On February 17, 2009, President Obama signed into law the HITECH Act, which is part of the Stimulus Act. The HITECH Act expands the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulation, in particular by: (i) extending the reach of the Privacy Rule and Security Rule to business associates, (ii) imposing a written notice obligation upon covered entities for security breaches involving "unsecured" protected health information, (iii) limiting certain uses and disclosures of protected health information, (iv) increasing individuals' rights with respect to protected health information, (v) increasing penalties for violations and (vi) providing for enforcement of violations by State attorneys general.

On January 25, 2013, DHHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the "HIPAA Omnibus Rule." The HIPAA Omnibus Rule became effective March 26, 2013, and covered entities are required to be in compliance by September 23, 2013 (though certain requirements have a longer timeframe). Key aspects of the HIPAA Omnibus Rule include, but are not limited to: (i) a new standard for what constitutes a breach of private health information,

(ii) establishing four levels of culpability with respect to civil monetary penalties assessed for HIPAA violations, (iii) direct liability of business associates for certain violations of HIPAA, (iv) modifications to the rules governing research, (v) stricter requirements regarding non-exempt marketing practices, (vi) modification and re-distribution of notices of privacy practices, and (vii) stricter requirements regarding the protection of genetic information. While the effects of the HIPAA Omnibus Rule cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the financial condition of NYUHC.

#### *Security Breaches and Unauthorized Releases of Personal Information*

State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including the State of New York, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, including the State of New York, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

#### *Environmental Matters*

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As an owner and operator of properties and facilities, NYUHC may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off, its property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that NYUHC will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of NYUHC.

#### *Construction and Project Risk*

Construction is underway on the Energy Building and the Kimmel Pavilion. Uncontrollable delays are common in the construction industry. Such delays caused by, for example, strikes, weather, or unavailability of materials, may delay completion of the projects, result in cost overruns or even prevent completion of the projects.

#### *Affiliation, Merger, Acquisition and Divestiture*

As part of its ongoing planning and property management functions, NYUHC reviews the use, compatibility and financial viability of many of its operations, and from time to time, may pursue changes in the use, or disposition, of its facilities. Likewise, NYUHC may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of NYUHC in the future or about the potential sale of some of the operations and properties of NYUHC. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect NYUHC, are held on an intermittent, and usually confidential, basis. NYUHC evaluates affiliation opportunities as they arise. Any affiliation or other similar transaction would be completed in compliance with the covenants in the Master Trust

Indenture. For more on certain potential affiliations information, see PART 7 – “NYU HOSPITALS CENTER - Strategic Initiatives.”

#### *Professional Liability Claims and General Liability Insurance*

The dollar amounts of patient damage recoveries remain potentially significant. A number of insurance carriers have withdrawn from this segment of the insurance market citing underwriting losses, and premiums have increased in the last several years. The effect of these developments has been to significantly increase the operating costs of hospitals, including NYUHC.

NYUHC currently carries malpractice, directors’ and officers’ liability and general liability insurance, which management of NYUHC considers adequate, but no assurance can be given that NYUHC will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all malpractice judgments rendered against NYUHC or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. For a discussion of the insurance coverage of NYUHC, see “Professional and General Liability Insurance Program” herein.

#### *Funding from the Federal Emergency Management Agency (“FEMA”)*

A substantial portion of the Superstorm Sandy-related costs incurred by NYUHC are eligible for funding from FEMA. NYUHC has submitted applications to FEMA for reimbursement of these costs. For more information on FEMA funds received to date, see “PART 7 – NYU HOSPITALS CENTER - Management’s Discussion of Recent Financial Performance - *Effects of Superstorm Sandy.*” Although NYUHC has received funding from FEMA pursuant to certain of these applications, there can be no assurance that all or a majority of the costs included in the various applications will be approved. Additionally, FEMA recipients are subject to post-award compliance obligations, including financial reporting and audit requirements. In the case of non-compliance, recipients may be subject to various enforcement actions, including the recoupment of disbursed funds, the withholding, suspension or disallowance of future payments, and suspension of or debarment from eligibility for FEMA assistance. Although NYUHC plans to comply with all terms and conditions associated with FEMA funding, there can be no assurance that NYUHC will not be subject to one or more of these enforcement actions in the future.

#### *Certain Accreditations*

NYUHC is subject to periodic review by The Joint Commission. NYUHC has received accreditation from The Joint Commission through April 27, 2016. See “Licensure and Accreditation” herein. No assurance can be given as to the effect on future operations of existing, or subsequently amended, laws, regulations and standards for certification or accreditation.

In addition, NYUHC is the training hospital for NYUSOM, which sponsors programs of graduate medical education (“GME Programs”) for training residents and fellows accredited by the Accreditation Council for Graduate Medical Education (“ACGME”) (for medical programs) and by the American Dental Association (“ADA”) (for dental programs). All GME Programs are subject to periodic review by the applicable specialty Residency Review Committee of the ACGME or by the ADA, as appropriate. No assurance can be given as to (i) the outcome of future reviews of these GME Programs, (ii) such programs’ continued accreditation, or (iii) the continuing eligibility of the costs associated therewith for graduate medical education reimbursement.

#### *Increased Costs and State-Regulated Reimbursement*

In recent years, substantial cutbacks in personnel and other cost-cutting measures have been instituted at hospitals throughout the State of New York. Generally, these cutbacks have been instituted to address the disparity between rising medical costs and state-regulated reimbursement formulas, including those for Medicaid, Blue Cross and Blue Shield, and other third-party payors. Rising health care costs resulted from, among other factors, health care costs exceeding inflation, staff shortages, pharmaceutical costs and the highly technical nature of the industry. NYUHC has been affected by the impact of such rising costs, and there can be no assurance that NYUHC would not be similarly affected by the impact of additional unreimbursed costs in the future.



## *Secondary Market*

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2014 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of NYUHC's capabilities and the financial conditions and results of operations of NYUHC.

## *Realization of Value on Mortgaged Property*

The Mortgaged Property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the Mortgaged Property if it were necessary to foreclose on the Mortgaged Property. Thus, upon any default, it may not be possible to realize the outstanding interest on and principal on the Bonds from a sale or lease of the Mortgaged Property. In addition, in order to operate the Mortgaged Property as health care facilities, a purchaser of the Mortgaged Property at a foreclosure sale would under present law have to obtain a Certificate of Need from the New York State Department of Health and a license to operate the facilities. Further, the dollar value covered by title insurance is less than the aggregate par amount of all Obligations outstanding under the Master Indenture as no title insurance was purchased with respect to various of the Prior Obligations as defined in PART 2 of this Official Statement.

In addition, under applicable environmental law, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the lien of the Mortgages could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the Master Trustee's ability to realize sufficient amounts to pay the Obligations in full. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property, the Master Trustee may have to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants. No environmental assessment of the Mortgaged Property has been made prior to the issuance of the Bonds. See "INTRODUCTION – The Mortgages" and "– Obligations under the Master Indenture – *The Mortgages.*"

## *Enforceability of Lien on Gross Receipts*

The Indenture provides that NYUHC shall make payments to the Trustee sufficient to pay the Series 2014 Bonds and the interest thereon as the same become due. The obligation of NYUHC to make such payments is secured by the Series 2014 Obligation, which, in turn, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of NYUHC. The lien on Gross Receipts may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by NYUHC to other parties in the ordinary course might no longer be subject to the lien of the Master Indenture and might therefore be unavailable to the Master Trustee.

To the extent that Gross Receipts are derived from payments by the federal or state government under the Medicare or Medicaid program, 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 or NYUHC 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 Gross Receipts not subject to the Lien, the Master Trustee would occupy the position of an unsecured creditor. Counsel to NYUHC has not provided an opinion with regard to the enforceability of the Lien on Gross Receipts of NYUHC, where such Gross Receipts are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of NYUHC, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of NYUHC before paying debt service on the Series 2014 Bonds.

Pursuant to the New York Uniform Commercial Code, a security interest in the proceeds of Gross Receipts may not continue to be perfected if such proceeds are not paid over to the Master Trustee by NYUHC under certain circumstances. If any required payment is not made when due, NYUHC must transfer or pay over immediately to the Master Trustee any Gross Receipts with respect to which the security interest remains perfected pursuant to law. Any Gross Receipts thereafter received shall upon receipt by NYUHC be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment.

The value of the security interest in the Gross Receipts could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2014 Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Series 2014 Bonds.

#### *Enforceability of the Master Indenture*

Currently, NYUHC is the sole Member of the Obligated Group. To the extent that there are future Members of the Obligated Group, the following may apply. Under New York law, a not-for-profit corporation may guarantee the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor not-for-profit corporation. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of Members to make payments due under an Obligation, including the Series 2014 Obligation, relating to bonds issued for the benefit of another Member, may be declared void in an action brought by a third-party creditor pursuant to the New York fraudulent conveyance statutes or may be avoided by a Member or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested. An obligation may be voided under the federal Bankruptcy Code or under the New York fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of “fair consideration” or “reasonably equivalent value,” and (b) the obligation renders the obligor “insolvent,” as such terms are defined under the applicable statute. Interpretation by the courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. For example, a Member’s joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other Members, may be held to be a “transfer” which makes such Member “insolvent” in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than “fair consideration” for such obligation because none or only a portion of the proceeds of the indebtedness are to be used to finance projects occupied or used by such Member. While the Members may benefit generally from the projects financed from the indebtedness for the other Members, the actual cash value of this benefit may be less than the joint and several obligation. The rights under the New York fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Indenture.

In addition, the assets of any Member may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a Member has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the Member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the state. In the absence of clear legal precedent in this area, the extent to which the assets of any Member can be used to pay Obligations issued by or on behalf of others cannot be determined at this time.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court’s own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

An action to enforce a charitable trust and to see to the application of its funds could also arise if an action to enforce the obligation to make payments on an Obligation issued for the benefit of NYUHC would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by NYUHC from which payment is requested.

### *Exercise of Remedies Under Master Indenture*

“Events of Default” under the Master Indenture include the failure of NYUHC to make payments on any Obligation Outstanding under the Master Indenture (such as the Series 2014 Obligation) and may include nonpayment related defaults under documents such as the Indenture or the Mortgage. The Master Indenture provides that upon an “Event of Default” thereunder, the Master Trustee may in its discretion, by notice in writing to NYUHC, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately unless requested to do so by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding under the Master Indenture. Consequently, upon the occurrence of an “Event of Default” under the Indenture with respect to the Series 2014 Bonds and an acceleration of the maturity of the Series 2014 Bonds, the Master Trustee is not required to accelerate the maturity of all Obligations Outstanding under the Master Indenture upon direction from the Trustee unless (i) the principal amount of Series 2014 Bonds Outstanding is at least equal to 25% of the principal amount of all Obligations Outstanding under the Master Indenture, or (ii) the Trustee and all other holders of Obligations requesting such acceleration hold at least 25% of all Obligations Outstanding under the Master Indenture.

### *Bankruptcy*

The Series 2014 Bonds are payable from the sources and are secured as described in the Official Statement. The practical realization of value from the collateral for the Series 2014 Bonds described therein upon any default will depend upon the exercise of various remedies specified by the Indenture, the Mortgage and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Indenture, the Mortgage and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2014 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights generally.

The rights and remedies of the holders of the Series 2014 Bonds are subject to various provisions of Title 11 of the United States Code (the “Bankruptcy Code”). If NYUHC were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against NYUHC and its property, including the commencement of foreclosure proceedings under the Mortgage. NYUHC would not be permitted or required to make payments of principal or interest under the Indenture and the Obligations, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court, the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Indenture from being applied in accordance with the provisions of the Indenture, including the transfer of amounts on deposit in the funds held thereunder, and the application of such amounts to the payment of principal of and interest on the Series 2014 Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Indenture would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of NYUHC, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also extinguish the Master Trustee’s continuing security interest in NYUHC’s Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by NYUHC under the Obligations, the Master Indenture, the Mortgage, and the Indenture, and may adversely affect the Master Trustee’s or the Trustee’s ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

NYUHC could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against NYUHC provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has

accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

#### *Considerations Relating to Additional Debt*

Subject to the coverage and other tests set forth therein, the Master Indenture permits NYUHC to incur additional indebtedness. Such indebtedness would increase NYUHC's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2014 Bonds.

#### *Interest Rate Swap Agreements*

NYUHC is not currently party to any interest rate swap agreements. However, subject to compliance with the provisions of the Master Indenture, NYUHC may, in the future, enter into interest rate swap agreements with respect to its outstanding debt.

#### *Other Risk Factors*

In the future, the following factors, among others, may adversely affect the operations of health care providers, including NYUHC, or the market value of the Series 2014 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.
- Increased unemployment or other economic conditions in the service area of NYUHC, which could increase the proportion of patients who are unable to pay fully for the cost of their care.
- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.
- Reduced demand for the services of NYUHC that might result from decreases in population or innovations in technology.
- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.
- The occurrence of a natural or man-made disaster, including but not limited to weather, disease outbreaks, acts of God or acts of terrorists, that could damage the facilities of NYUHC, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the operations and the generation of revenues from NYUHC's facilities.
- A change in federal income tax law or replacement of the federal income tax with another form of taxation, which, among other consequences, might adversely affect the level of charitable donations to NYUHC.

## **PART 9 - THE AUTHORITY**

### **Background, Purposes and Powers**

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office

of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services (“BOCES”), State University of New York, the Workers’ Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY’s private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At September 30, 2014, DASNY had approximately \$45 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY’s outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY’s special obligations are solely dependent upon payments made by DASNY’s client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

## **Governance**

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., Chair, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, Secretary, Delmar.

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

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expires on March 31, 2015.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for “Arverne by the Sea,” where he is responsible for advancing and overseeing all facets of “Arverne by the Sea,” one of New York City’s largest mixed-use developments located in Queens, New York. Mr. Ronski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

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

JOHN B. KING, JR., J.D., Ed.D., Commissioner of Education of the State of New York, Slingerlands; ex-officio.

John B. King, Jr. was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

HOWARD A. ZUCKER, M.D., J.D., Acting Commissioner of Health of the State of New York, Albany; ex-officio.

Howard A. Zucker, M.D., J.D., was appointed Acting Commissioner of Health on May 5, 2014. Prior to his appointment he served as First Deputy Commissioner leading the state Department of Health’s preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

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

Robert L. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State’s fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State’s debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Williams spent the majority of his career in law including 15 years as a founding partner in Wood, Williams, Rafalsky & Harris, where he helped to develop a national bond counsel practice, then as a partner in Bryan Cave LLP, where he counseled corporate clients in a range of areas. Mr. Williams later left the practice of law to help to establish a boutique Wall Street investment banking company where he served as president for several years. Throughout his career, Mr. Williams has made significant efforts to support diversity and promote equal opportunity, including his past service as president of One Hundred Black Men, Inc. and chairman of the Eagle Academy Foundation. Mr. Williams is licensed to practice law in the State of New York and holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Ms. Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural



Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

### **Claims and Litigation**

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

### **Other Matters**

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

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

#### *Legislation*

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

#### *Environmental Quality Review*

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

#### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2014. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 10 - LEGALITY OF THE SERIES 2014 BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2014 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2014 Bonds.

## **PART 11 - NEGOTIABLE INSTRUMENTS**

The Series 2014 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2014 Bonds.

## PART 12 - TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in “Appendix F” hereto.

To the extent the issue price of any maturity of the Series 2014 Bonds is less than the amount to be paid at maturity of such Series 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2014 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2014 Bonds is the first price at which a substantial amount of such maturity of the Series 2014 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2014 Bonds accrues daily over the term to maturity of such Series 2014 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014 Bonds. Beneficial Owners of the Series 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Bonds is sold to the public.

Series 2014 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014 Bonds. The Authority and the Institution made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2014 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on both (A) the opinion of General Counsel of the Institution/Senior Counsel of the School of Medicine of New York University regarding (i) the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code, (ii) the intended operation of the facilities to be refinanced by the Series 2014 Bonds as substantially related to the Institution’s charitable purpose under Section 513(a) of the Code, and (iii) New York University’s use through its School of Medicine of the facilities to be refinanced by the Series 2014 Bonds as substantially related to New York

University's charitable purpose under Section 513(a) of the Code, and (B) the opinion of General Counsel of New York University regarding the current qualification of New York University as an organization described in Section 501(c)(3) of the Code. Such opinions are subject to a number of qualifications and limitations. Furthermore, neither General Counsel of the Institution/Senior Counsel of the School of Medicine of New York University nor General Counsel to New York University can give or has given any opinion or assurance about the future activities of the Institution or New York University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of either the Institution or New York University to be organized and operated in accordance with the IRS's requirements for the maintenance of its respective status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities refinanced by the Series 2014 Bonds in a manner that is substantially related to the Institution's or New York University's charitable purpose under Section 513(a) of the Code, respectively, may result in interest payable with respect to the Series 2014 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2014 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2014 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2014 Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2014 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Institution have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014 Bonds ends with the issuance of the Series 2014 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Institution or the Beneficial Owners regarding the tax-exempt status of the Series 2014 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Institution and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Institution legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2014 Bonds, and may cause the Authority, the Institution or the Beneficial Owners to incur significant expense.

## **PART 13 - STATE NOT LIABLE ON THE SERIES 2014 BONDS**

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2014 Bonds shall not be a debt of the State nor shall the State be liable thereon.

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

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

## **PART 15 - RATINGS**

Moody's, Standard & Poor's, and Fitch have assigned the long-term ratings of "A3," "A-" and "A-," respectively, to the Series 2014 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., Seven World Trade Center, New York, New York 10007, Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

## **PART 16 - LEGAL MATTERS**

Certain legal matters incidental to the offering of the Series 2014 Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2014 Bonds. The proposed form of Bond Counsel's opinion is set forth in "Appendix F" hereto.

Certain legal matters will be passed upon for NYUHC by NYUHC's Office of General Counsel, and by NYUHC's Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance, offering or delivery of the Series 2014 Bonds or questioning or affecting the validity of the Series 2014 Bonds or the proceedings and authority under which the Series 2014 Bonds are to be issued and offered.

## **PART 17 - UNDERWRITING**

Wells Fargo Bank, National Association, on behalf of the Underwriters for the Series 2014 Bonds, has agreed, subject to certain conditions, to purchase the Series 2014 Bonds from DASNY at a purchase price of \$86,804,092.20 (reflecting an underwriters' discount of \$482,530.75 and an original issue premium of \$9,586,622.95), and to make a public offering of the Series 2014 Bonds at prices that are not in excess of the public offering prices or yields indicated on the cover of this Official Statement. The obligations of the Underwriters are subject to certain terms and conditions contained in the Purchase Contract. The Underwriters will be obligated to purchase all of the Series 2014 Bonds if any of the Series 2014 Bonds are so purchased. NYUHC has agreed to

indemnify the Underwriters against certain liabilities, including certain liabilities arising under federal and state securities laws. The initial offering price of the Series 2014 Bonds may be changed by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments of NYUHC.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association (“WFBNA”), has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2014 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2014 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Series 2014 Bonds. In connection with utilizing the distribution capabilities of “WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2014 Bonds, has entered into a negotiated dealer agreement (the ‘Dealer Agreement’) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Series 2014 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2014 Bonds that such CS&Co. sells.

NYUHC currently maintains lines of credit with Wells Fargo Bank, National Association, Bank of America, N.A., JPMorgan Chase Bank, N.A. and TD Bank, N.A., three of which are affiliates of one of the Underwriters. NYUHC currently plans to use a portion of the proceeds of the Taxable 2014A Bonds to repay portions of one or more of these lines of credit.

The Series 2014 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

## **PART 18 - CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (“Rule 15c2-12”), the Institution has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 150 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending August 31, 2015, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 7 – NYU HOSPITALS CENTER” of this Official Statement (the “Annual Information”), together with the Institution’s

annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB. For a discussion of the submission of quarterly unaudited financial information to the MSRB, see “PART 19 – MISCELLANEOUS.”

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

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, within 10 days of the occurrence of a Notice Event (as hereinafter defined), the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will promptly file the Notices with the MSRB. With respect to the Series 2014 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution, the Authority or the Trustee has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, annual financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2014 Bonds or any other party. DAC has no responsibility for the failure of the Institution or the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority’s disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Institution, consisting of (1) financial information and operating data of the type included in this Official Statement, which shall include information as described in “PART 7 - NYU HOSPITALS CENTER” herein relating to the following: (i) utilization statistics of the type set forth under the heading “Utilization – NYUHC Historical Utilization Statistics”; (ii) revenue and expense data of the type set forth under the heading “Summary of Historical Revenues and Expenses – Summary of Historical Revenues and Expenses of NYUHC”; (iii) data of the type set forth under the headings “Liquidity and Investments – Summary of Historical Days Cash on Hand”; (iv) sources of patient service revenue of the type set forth under the heading “Payor Mix – NYUHC Percentage of New Patient Revenue by Payor”; together with (2) such narrative explanation, as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Institution. To the extent that other entities become Members of the Obligated Group, comparable information will be provided with respect to the entire Obligated Group.

The Notices include notices of any of the following events (the “Notice Events”) with respect to the Series 2014 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices or events affecting the tax status of the Series 2014 Bonds; (7) modifications to the rights of holders of the Series 2014 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institution; (14) merger, consolidation or acquisition of the Institution, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. In addition, DAC will undertake, for the benefit of the Holders of the Series 2014 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the

Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the parties' obligations under the Continuing Disclosure Agreement, and no person, including any Holder of the Series 2014 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2014 Resolution, the Master Trust Indenture or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2014 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2014 Bonds will be on file at the principal office of the Authority.

With respect to the Institution's previous undertakings, in one instance, the Institution failed to file notice of a rating upgrade with respect to certain Dormitory Authority of the State of New York NYU Hospitals Center Revenue Bonds. This missed filing, in connection with a Fitch Ratings, Inc. ("Fitch") upgrade on May 12, 2010, was superseded by another Fitch rating upgrade of the bonds on December 20, 2010, which was properly filed.

Additionally, the annual reports of the Institution previously filed for the fiscal years ended August 31, 2011, 2012, and 2013, did not include a table of market share by hospital, as required by certain of the Institution's continuing disclosure undertakings. The missing market share by hospital data has been filed as a supplement to the operating information previously filed in the annual reports for the fiscal years ended August 31, 2011, 2012, and 2013.

## **PART 19 - MISCELLANEOUS**

Reference in this Official Statement to the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2014 Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2014 Obligation for full and complete details of their provisions. Copies of the Resolution, the Series 2014 Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2014 Obligation are on file with the Authority and the Trustee.

The Institution pursuant to the Master Indenture has agreed to furnish, or cause to be furnished, no later than sixty (60) days subsequent to the last day of each of the first three quarters and no later than ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year to DAC (with copies to the Master Trustee and the Authority) an electronic copy of the following information: (a) the unaudited financial statements of the Institution, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows (excluding footnotes); (b) utilization statistics of the Institution for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Institution by major payor mix for such quarter. Upon receipt of such information in electronic form, DAC shall provide such information to the MSRB through EMMA in a timely manner. In addition, the Institution has agreed to furnish, or cause to be furnished, to DAC (with copies to the Master Trustee and the Authority) an electronic copy of the audited financial statements of the Institution, within one hundred fifty (150) days after the completion of the Institution's fiscal year. Upon receipt of such information in electronic form, DAC shall provide such information to the MSRB through EMMA in a timely manner. To the extent that other entities become Members of the Obligated Group, comparable information will be provided with respect to the entire Obligated Group. Failure by the Institution to furnish, or

cause to be furnished, to DAC such information required in this paragraph will not constitute an Event of Default under either the Master Trust Indenture or the Loan Agreement.

The agreements of the Authority with the holders of the Series 2014 Bonds are fully set forth in the Resolution and the Series 2014 Resolution. Neither any advertisement of the Series 2014 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2014 Bonds.

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

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

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

"Appendix A – Certain Definitions," "Appendix C – Summary of Certain Provisions of the Loan Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture," "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture," and "Appendix F – Proposed Form of Approving Opinion of Bond Counsel," have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

The NYUHC financial statements as of August 31, 2014 and 2013 and for each of the two years in the period ended August 31, 2014 included in "Appendix B" have been audited by PricewaterhouseCoopers, LLP, independent accountants, as stated in their report appearing therein.

The Institution has reviewed certain parts of this Official Statement describing the Institution, the Obligated Group and the Master Indenture, including but not limited to "PART 1 – INTRODUCTION," "PART 4 – PLAN OF REFUNDING," "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 7 – NYU HOSPITALS CENTER," "PART 8 – RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP," "PART 18 – CONTINUING DISCLOSURE" (only insofar as the Continuing Disclosure relates to the obligations of the Institution) and "Appendix B – NYUHC Financial Statements as of August 31, 2014 and 2013." The Institution shall certify as of the date hereof and as of the date of delivery of the Series 2014 Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

By: /s/ Authorized Officer  
Authorized Officer



**Appendix A**  
**Certain Definitions**

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## Appendix A

### Certain Definitions

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

*Act* means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time, including, but not limited to, the HealthCare Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of Laws of New York 1973, as amended;

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

*Applicable* means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, or Debt Service Reserve Fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project(s), (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for particular Projects, (v) with respect to any Loan Agreement and the contractual obligations contained therein with respect to a particular Series of Bonds, relating to particular Projects for an Institution, (vi) with respect to any Institution or Trustee, the respective Institutions or Trustee identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution and (viii) with respect to any Credit Facility or Credit Facility Issuer, the Credit Facility or Credit Facility Issuer relating to a particular Series of Bonds;

*Arbitrage Rebate Fund* means the fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

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

*Authority Fee* means a fee payable to the Authority equal to the payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Loan Agreement;

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

*Authorized Officer* means (i) in the case of the Authority, the Chair, the Vice-Chair, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director, the Managing Director of

Construction, Managing Director of Portfolio Management, General Counsel and any other person authorized by a resolution or the by-laws of the Authority, from time to time, to perform any specific act or execute any specific document; (ii) in the case of an Institution, the person or persons authorized by a resolution or the by-laws of such Institution to perform any act or execute any document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee;

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

*Bond Counsel* means an attorney or a law firm, appointed by the Authority with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

*Bond Series Certificate* means a certificate of the Authority fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under an Applicable Series Resolution;

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

*Bondholder, Holder of Bonds, Holder, owner* or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series, except as provided in the Resolution;

*Business Day* means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed;

*Code* means the Internal Revenue Code of 1986, as amended;

*Construction Fund* means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

*Contract Documents* means any general contract or agreement for the construction of a Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to the construction of a Project, and any amendments to the foregoing;

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

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

*Credit Facility, as used in the Resolution*, means any municipal bond insurance policy satisfactory to the Authority which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Institution, redemption premium on the Bonds of any Series when due and issued and delivered to the Trustee or similar insurance or guarantee if so designated, all in accordance with the Applicable Series Resolution;

*Credit Facility Issuer* means, with respect to any Series of Bonds for which a Credit Facility is held by the Trustee, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued such Credit Facility in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility;

*Debt Service Fund* means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

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

*Debt Service Reserve Fund Requirement, as used in the Resolution*, means, unless otherwise specified in a Series Resolution, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (i) interest on the Outstanding Bonds of a Series payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year and (ii) the principal and the Sinking Fund Installments of such Bonds except that if, upon the issuance of a Series of Bonds, such amount would require a deposit of moneys therein, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Bonds, the Debt Service Reserve Fund Requirement will mean the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Bonds, as certified by an Authorized Officer of the Authority;

Debt Service Reserve Fund Requirement, as used in the Loan Agreement and the Series Resolution, means an amount equal to zero (\$0), as set forth in the Series 2014 Bond Series Certificate executed in connection with the original issuance of the Series 2014 Bonds;

Defeasance Security means, unless otherwise provided in an Applicable Series Resolution (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (other than obligations the payment of the principal of which is not fixed as to amount or time of payment) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by Moody's and Standard & Poor's in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term will not mean any interest in a unit investment trust or mutual fund;

Department of Health means the Department of Health of the State of New York;

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

Excess Earnings means, with respect to the Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code;

Exempt Obligation means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which (i) is excludable from gross income under Section 103 of the Code and (ii) is not an item of tax preference within the meaning of Section 57(a)(5) of the Code;

Facility Provider means the issuer of a Reserve Fund Facility delivered to the Trustee pursuant to the Resolution;

*Fitch* means Fitch Inc., its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Bond Trustee, which designated agency is acceptable to the Credit Facility Issuer;

*Government Obligation* means a direct obligation of the United States of America, an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; (i) Federal National Mortgage Association, and (j) upon the approval of the Authority and all Applicable Credit Facility Issuers, (i) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (ii) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least “A” by S&P and Moody’s at all times;

*Governmental Requirements* means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to a Project or any Mortgaged Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over a Project or any part thereof, Mortgaged Property or any part of either including, but not limited to, Article 28 and 28-B of the Public Health Law of the State of New York;

*Gross Proceeds* means, with respect to an Applicable Series of Bonds, the interest on which is tax-exempt, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters’ fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, (v) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code;

*HJD* means the Hospital for Joint Diseases Orthopaedic Institute, a not-for-profit corporation established under the laws of the State of New York;

*Holder* means an owner of any Obligation issued in other than bearer form;

*Institution* means NYUHC and with respect to an Applicable Series of Bonds, the not-for-profit hospital corporation, nursing home corporation or other entity or person that is a Member of the Obligated Group and for whose benefit the Authority has, as authorized under the Public Health Law or any other law or regulation, issued such Series of Bonds;

*Insurance Trustee* means the person, if any, designated in the municipal bond insurance policy issued by a Credit Facility Issuer in connection with a Series of Outstanding Bonds with whom funds are to be deposited by such Credit Facility Issuer to make payment pursuant to such policy on account of the principal and Sinking Fund Installments of and interest on the Bonds of such Series;

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

*Loan Agreement* means the Amended and Restated Loan Agreement, dated as of June 28, 2006, by and between the Authority and the Institution, as amended, supplemented or otherwise modified as permitted by the Loan Agreement and by the Resolution;

*Master Trustee* means The Bank of New York Mellon, as successor to The Bank of New York, and any successor under the Master Indenture;

*Member of the Obligated Group or Member* means NYUHC and any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture;

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

*Mortgage* means any mortgage given by NYUHC to the Authority (and assigned by the Authority to the Master Trustee) or to the Master Trustee to secure all Obligations issued or to be issued under the Master Indenture;

*Mortgaged Property* means the real property, fixtures, personal property and other property interests described in and mortgaged pursuant to the Mortgage;

*NYUHC* means NYU Hospitals Center, a not-for-profit corporation, incorporated and existing under the laws of the State of New York.

*Obligated Group* means the NYUHC Obligated Group of which NYUHC is currently the sole member; and such other organizations as may from time to time be added as members of such Obligated Group, and deleting such organizations as may from time to time withdraw as members of such Obligated Group, all as provided in the Master Indenture, pursuant to which such Obligated Group was created;

*Obligation, as used in the Resolution*, means each Obligation issued pursuant to the Master Indenture to secure a Series of Bonds issued under the Resolution;

*Outstanding, as used in the Resolution*, when used in reference to Bonds of an Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution (including any Bonds deemed to have been issued and authenticated under the Resolution pursuant to the Supplemental Resolution, adopted on June 28, 2006) except: (i) any such Bond cancelled by the Applicable Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with the Resolution; and (iii) any such Bond in lieu of or in substitution for which another such Bond will have been authenticated and delivered pursuant to the Resolution;

*Paying Agent* means, with respect to an Applicable Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of an Applicable Series Resolution, an Applicable Bond Series Certificate or any other



resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents will be so appointed;

*Project* means the refinancing of certain capital expenditures of the Institution through the refunding of the Refunded Bonds, including: (1) the construction, renovation, modernization and equipping of the emergency department of the Institution, (2) the construction, renovation and equipping of an expansion clinic for the musculoskeletal center, (3) routine capital expenditures, including costs associated with HVAC, cafeteria services, heat and hot water upgrades, emergency power upgrades and various upgrades to infrastructure throughout the Institution, and (4) the renovation, repair and equipment purchases that functionally support or are related to the items described above in (1) through (3), and any other Projects which are financed from the proceeds of an applicable Series of Bonds issued under the Resolution and which are included as part of the Project by an amendment to the Loan Agreement.

*Provider Payments* means any payments made by a Facility Provider pursuant to its Reserve Fund Facility;

*Qualified Financial Institution* means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and which is on the Federal Reserve Bank of New York's list of primary government securities dealers, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority and the Applicable Credit Facility Issuer, if any, or (v) a corporation whose obligations including any investments purchased from such corporation for the account of an Applicable Trustee, are insured by the Applicable Credit Facility Issuer, if any; provided, that in the case of any entity described in clause (i), (ii), (iii) or (iv) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement, insurance policy or surety bond issued by any such organization, have been assigned a credit rating by the Rating Service(s) rating the Bonds which is not lower than "A", without regard to plus or minus, or which bank, trust company, national banking association or securities dealer or affiliate or subsidiary thereof is approved by the Applicable Credit Facility Issuer, if any;

*Rating Service(s)* means S&P, Moody's, Fitch or any other nationally recognized statistical rating organization which will have assigned a rating on any Bonds Outstanding as requested by or on behalf of the Authority, and which rating is then currently in effect;

*Record Date* means, unless the Applicable Series Resolution authorizing an Applicable Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteen (15th) day (whether or not a business day) of the month preceding each interest payment date;

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

*Refunded Bonds* means the Authority's NYU Hospitals Center Revenue Bonds, Series 2007B being refunded with the proceeds of the Series 2014 Bonds.

*Refunding Bonds* means all Bonds, whether issued in one or more Applicable Series of Bonds, authenticated and delivered pursuant to the Resolution, and originally issued pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds;

*Reserve Fund Facility* means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund authorized to be delivered to the Trustee pursuant to the Resolution.

*Resolution* means Part B, NYU Hospitals Center Obligated Group Revenue Bond Resolution, adopted April 5, 2000, as amended and restated on June 28, 2006, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution;

*Revenue Fund* means the fund established pursuant to the Master Indenture;

*Revenues* means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, and payments made under the Master Indenture or payable by the Obligated Group to the Authority pursuant to an Applicable Obligation and all amounts realized upon liquidation of collateral securing the Applicable Obligation, which payments and amounts are assigned by the Resolution to the Applicable Trustee by the Authority and pursuant to the Loan Agreement and the Obligation are to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund);

*S&P* means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, and its successors and assigns;

*Securities* means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, at the time an investment therein is made or such security is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's or "AA" or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) with the consent of the Credit Facility Issuers, if any, common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's or "AA" or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and the Credit Facility Issuers, if any;

*Serial Bonds* means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate;

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

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

*Series 2014 Bonds* means the Authority's NYU Hospitals Center Revenue Refunding Bonds, Series 2014 described in this Official Statement.

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

*State* means the State of New York;

*Subordinated Debt* means Indebtedness the payment of which is evidenced by instruments, or issued under an indenture or other document, containing specific provisions subordinating such Indebtedness to the Obligations, including following any event of insolvency by the debtor or following acceleration of such Indebtedness;

*Supplement* means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture;

*Supplemental Resolution* means the Supplemental Resolution adopted June 28, 2006, which amended and restated the Dormitory Authority of the State of New York Mount Sinai NYU Health Obligated Group Revenue Bond Resolution, adopted April 5, 2000, in its entirety to create two Parts, including the Resolution, and any other supplemental resolution of the members of the Authority amending or supplementing the Resolution, any Applicable Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of Article 9 of the Resolution;

*Term Bonds* means with respect to Bond of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments;

*Trustee* means a bank or trust company appointed as Trustee for an Applicable Series of the Bonds pursuant to the Applicable Series Resolution or the Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

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**Appendix B**

**NYUHC Financial Statements as of August 31, 2014 and 2013**

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**NYU Hospitals Center**  
**Consolidated Financial Statements**  
**August 31, 2014 and 2013**

**NYU Hospitals Center**  
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## Independent Auditor's Report

Board of Trustees  
NYU Langone Medical Center

We have audited the accompanying consolidated financial statements of NYU Hospitals Center and its subsidiaries (the "Hospitals Center"), which comprise the consolidated balance sheets as of August 31, 2014 and 2013, and the related consolidated statements of operations, consolidated statements of changes in net assets and of cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of CCC550, a wholly owned subsidiary of the Hospitals Center, which statements reflect total assets of \$353.8 million and \$327.7 million as of August 31, 2014 and 2013, respectively, and total revenues of \$72.9 million and \$57.0 million for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for CCC550 is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Hospitals Center's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospitals Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NYU Hospitals Center and its subsidiaries at August 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

*PricewaterhouseCoopers LLP*

November 11, 2014

**NYU Hospitals Center**  
**Consolidated Balance Sheets**  
**August 31, 2014 and 2013**

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 323,459	\$ 162,861
Marketable securities	3,731	3,562
Assets limited as to use	40,796	48,350
Assets limited as to use - board designated	55,512	20,000
Patient accounts receivable, less allowances for uncollectibles (2014 – \$79,552 and 2013 – \$73,614)	303,479	258,400
Contributions receivable	67,904	103,907
Insurance receivables - billed	42,405	37,251
Due from related organizations, net	-	3,161
Inventories	32,193	28,796
Disaster recovery receivable	23,402	10,441
Commercial insurance recoveries receivable	-	2,618
Other current assets	61,134	39,889
Total current assets	<u>954,015</u>	<u>719,236</u>
Marketable securities, less current portion	24,087	22,177
Assets limited as to use, less current portion	378,737	306,399
Assets limited as to use - board designated, less current portion	456,501	468,918
Contributions receivable, less current portion	106,171	70,745
Other assets	18,609	18,565
Disaster recovery receivable, less current portion	106,336	-
Deferred financing costs	10,519	11,976
Property, plant and equipment, net	1,958,347	1,473,762
Total assets	<u>\$ 4,013,322</u>	<u>\$ 3,091,778</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 36,363	\$ 77,165
Accounts payable and accrued expenses	176,425	155,779
Accounts payable and accrued expenses - disaster-related	42,166	20,612
Accrued salaries and related liabilities	46,840	35,695
Accrued interest payable	9,754	7,925
Current portion of accrued postretirement liabilities	1,916	1,740
Deferred revenue - disaster recovery	64,886	-
Deferred revenue - other	23,709	17,617
Due to related organizations, net	2,269	-
Other current liabilities	44,841	64,518
Total current liabilities	<u>449,169</u>	<u>381,051</u>
Long-term debt, less current portion	1,401,199	1,121,794
Outstanding losses and loss adjustment expenses	233,239	215,972
Accrued pension liabilities	96,594	85,909
Accrued postretirement liabilities, less current portion	72,646	57,279
Other liabilities	199,640	176,451
Total liabilities	<u>2,452,487</u>	<u>2,038,456</u>
Net assets		
Unrestricted	1,031,365	758,080
Temporarily restricted	516,425	282,204
Permanently restricted	13,045	13,038
Total net assets	<u>1,560,835</u>	<u>1,053,322</u>
Total liabilities and net assets	<u>\$ 4,013,322</u>	<u>\$ 3,091,778</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NYU Hospitals Center**  
**Consolidated Statements of Operations**  
**Years Ended August 31, 2014 and 2013**

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Operating revenue</b>		
Net patient service revenue, less provision for bad debts (2014 - \$11,611, 2013 - \$19,583)	\$ 2,039,503	\$ 1,662,617
Premiums earned	39,356	33,497
Contributions	6,190	3,367
Endowment distribution and return on short-term investments	21,194	3,060
Commercial insurance recoveries	9,232	54,118
Disaster recovery reimbursement	97,098	107,420
Other revenue	110,836	80,971
Net assets released from restrictions for operating purposes	<u>23,044</u>	<u>2,467</u>
Total operating revenue	<u>2,346,453</u>	<u>1,948,280</u>
<b>Operating expenses</b>		
Salaries and wages	736,018	675,690
Employee benefits	257,451	241,900
Supplies and other	971,323	752,683
Depreciation and amortization	98,565	83,598
Interest	46,166	31,527
Disaster-related expenses	<u>22,139</u>	<u>115,074</u>
Total operating expenses	<u>2,131,662</u>	<u>1,900,472</u>
Gain from operations	214,791	47,808
<b>Other items</b>		
Impairment of property, plant and equipment, net	2,540	(28,957)
Gain (loss) on disposals of property, plant and equipment	231	(4,745)
Disaster recovery reimbursement for capital	73,374	-
Grant for capital assets	140	104
Investment return in excess of (less than) endowment distribution, net	8,023	(7,550)
Mission based payment to NYUSoM	<u>(30,000)</u>	<u>(35,735)</u>
Excess (deficiency) of revenue over expenses	269,099	(29,075)
<b>Other changes in unrestricted net assets</b>		
Changes in pension and postretirement obligations	(22,854)	96,438
Net assets released from restrictions for capital purposes	15,040	72,658
Net assets released from restrictions for hazard mitigation	<u>12,000</u>	<u>-</u>
Net increase in unrestricted net assets	<u>\$ 273,285</u>	<u>\$ 140,021</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NYU Hospitals Center**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended August 31, 2014 and 2013**

<i>(in thousands)</i>	Year Ended August 31, 2014				Year Ended August 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Net assets at beginning of year</b>	\$ 758,080	\$ 282,204	\$ 13,038	\$ 1,053,322	\$ 618,059	\$ 191,776	\$ 13,011	\$ 822,846
Excess (deficiency) of revenue over expenses	269,099	-	-	269,099	(29,075)	-	-	(29,075)
Net assets released from restrictions for operations	-	(23,044)	-	(23,044)	-	(2,467)	-	(2,467)
Net assets released from restrictions for capital purposes	15,040	(15,040)	-	-	72,658	(72,658)	-	-
Net assets released from restrictions for hazard mitigation	12,000	(12,000)	-	-	-	-	-	-
Change in pension and postretirement obligation	(22,854)	-	-	(22,854)	96,438	-	-	96,438
Investment return, net	-	2,941	-	2,941	-	1,878	-	1,878
Appropriation of endowment distribution	-	(1,038)	-	(1,038)	-	(1,014)	-	(1,014)
Disaster recovery award for future mitigation	-	213,253	-	213,253	-	-	-	-
Gifts, bequests and other items	-	69,149	7	69,156	-	164,689	27	164,716
Total changes in net assets	<u>273,285</u>	<u>234,221</u>	<u>7</u>	<u>507,513</u>	<u>140,021</u>	<u>90,428</u>	<u>27</u>	<u>230,476</u>
<b>Net assets at end of year</b>	<b>\$ 1,031,365</b>	<b>\$ 516,425</b>	<b>\$ 13,045</b>	<b>\$ 1,560,835</b>	<b>\$ 758,080</b>	<b>\$ 282,204</b>	<b>\$ 13,038</b>	<b>\$ 1,053,322</b>

The accompanying notes are an integral part of these consolidated financial statements.

**NYU Hospitals Center**  
**Consolidated Statements of Cash flows**  
**Years Ended August 31, 2014 and 2013**

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 507,513	\$ 230,476
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	98,565	83,598
Impairment of property, plant and equipment	(559)	28,957
(Gain) loss on disposal and impairment of property plant and equipment	(231)	4,745
Patient care bad debt expense	11,611	19,583
Post-retirement benefit adjustment	12,843	(15,303)
Pension benefit adjustment	10,011	(81,135)
Contributions restricted for permanent investment and capital	(46,026)	(67,891)
Payments for disaster recovery award for future risk mitigation	(106,917)	-
Write-off of contribution receivable	1,252	3,150
Net unrealized and realized (gain) loss on investments and assets limited as to use	(18,693)	8,238
Changes in operating assets and liabilities		
Patient accounts receivable, net	(56,690)	(32,947)
Nonendowment and noncapital contributions receivable	(675)	(85,765)
Disaster recovery receivable	(119,297)	(10,441)
Commercial insurance receivable	(1,363)	(618)
Insurance receivables – billed and unbilled	(5,154)	(1,402)
Accounts payable and accrued expenses	533	(57,126)
Accounts payable and accrued expenses- disaster related	19,574	4,807
Accrued salaries and related liabilities	11,145	5,269
Accrued interest payable	1,829	3,147
Due to related organizations, net	6,424	15,627
Outstanding losses and loss adjustment expenses	17,267	27,010
Accrued pension obligation	674	25,204
Accrued postretirement obligation	2,700	3,838
Other operating liabilities and deferred revenue	(57,546)	(28,228)
Other operating assets	(24,555)	(11,628)
Net cash provided by operating activities	<u>264,235</u>	<u>71,165</u>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(545,293)	(337,783)
Purchases of marketable securities	(9,904)	(19,950)
Sales of marketable securities	9,862	20,971
Purchases of investments – assets limited as to use – board designated	(30,068)	(585,499)
Sales of investments – assets limited as to use – board designated	14,578	450,037
Changes in assets limited as to use, net	9,153	48,738
Insurance proceeds and disaster recovery reimbursement for capital	76,361	-
Net cash used in investing activities	<u>(475,311)</u>	<u>(423,486)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for permanent investment and capital	46,026	67,891
Payments for disaster recovery award for future mitigation	106,917	-
Proceeds from issuance of long-term debt	150,000	348,562
Proceeds from borrowing on lines of credits	150,000	170,000
Payments of deferred financing costs	-	(981)
Payments on line of credit	-	(210,000)
Principal payments on long-term debt and capital leases	(81,269)	(37,282)
Net cash provided by financing activities	<u>371,674</u>	<u>338,190</u>
Net change in cash and cash equivalents	160,598	(14,131)
<b>Cash and cash equivalents</b>		
Beginning of year	162,861	176,992
End of year	<u>\$ 323,459</u>	<u>\$ 162,861</u>
<b>Supplemental information</b>		
Cash paid for interest	\$ 57,198	\$ 38,449
Assets acquired under capital leases	19,852	24,430
Non-cash acquisitions of property, plant and equipment	15,869	64,734
Assets limited as to use- other restrictions	64,886	-

The accompanying notes are an integral part of these consolidated financial statements.

# NYU Hospitals Center

## Notes to Consolidated Financial Statements

### August 31, 2014 and 2013

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#### 1. Organization and Summary of Significant Accounting Policies

##### Organization

NYU Hospitals Center ("Hospitals Center") is a component of NYU Langone Medical Center (the "Medical Center"), which also includes the accounts of the NYU School of Medicine ("NYUSoM"), and CCC550 Insurance, SCC. ("CCC550"). The Medical Center is a component of New York University (the "University").

The University's Board of Trustees ("University Board") appoints the members of both the Hospitals Center Board and the NYUSoM Advisory Board (referred to collectively as the "Board" within these footnotes).

The Hospitals Center is a Section 501(c) (3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State and City income taxes. It operates the following: Tisch Hospital, a 705-bed acute care facility and a major center for specialized procedures in cardiovascular services, neurosurgery, cancer treatment, reconstructive surgery and transplantation; NYU Hospital for Joint Diseases ("HJD"), a 190-bed acute care facility specializing in orthopedic, neurologic, and rheumatologic services and several ambulatory facilities including the Laura and Isaac Perlmutter Cancer Center ("Cancer Center"), the Ambulatory Care Center, the Center for Musculoskeletal Care and Hassenfield Children's Center. In October, 2012, The Rusk Institute of Rehabilitation Medicine ("Rusk") relocated its services to other areas of the Hospitals Center in order for the building to be demolished in preparation for the construction of a new 374-bed clinical facility to be known as the Kimmel Pavilion. Also refer to Note 15 for additional information.

CCC550 is an offshore captive insurance company that is a wholly owned subsidiary of the Hospitals Center. CCC550 was incorporated as a segregated cell company and is subject to taxation in accordance with Section 29 of the Exempt Insurance Act of Barbados, 1983.

##### Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of the Hospitals Center and CCC550. Accordingly, amounts due (to) from the Hospitals Center and CCC550 and the transactions between the entities have been eliminated in consolidation.

##### Related Organizations

Transactions among the related organizations in the accompanying consolidated financial statements relate principally to the sharing of certain services, facilities, equipment and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. The amounts due from or to related organizations do not bear interest. Additionally, the Hospitals Center has established guidelines for reimbursement, on a fee-for-service basis, for services provided by either NYUSoM or the University.

##### Cash and Cash Equivalents

The Hospitals Center considers highly liquid financial instruments purchased with a maturity of three months or less, excluding those held in its investment portfolio and assets limited as to use, to be cash equivalents. The Hospitals Center maintains its deposits with high credit quality financial institutions. The Hospitals Center has balances in these financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

## **NYU Hospitals Center**

### **Notes to Consolidated Financial Statements**

#### **August 31, 2014 and 2013**

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#### **Marketable Securities and Assets Limited as to use**

All of the Hospitals Center marketable securities are held in a pooled investment portfolio maintained by the University. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted market prices. The fair value of alternative investments in the pooled investment portfolio is based on values reported by the respective external investment managers, and consists of readily marketable securities but may be less liquid than other investments. Certain securities underlying the alternative instruments are not readily marketable. Although the estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for the securities existed, management believes that any such difference would not have a material effect on the Hospitals Center's consolidated balance sheets. In addition, a limited number of the investment vehicles included in the alternative instruments have liquidity restrictions which may defer redemption of the investment for a short period of time. The amount of gain or loss associated with these alternative instruments is reflected in the accompanying consolidated financial statements at net asset values. Investments in certain private capital funds are recorded at fair value as of the date of the last portfolio appraisal. The funds are then adjusted for capital contributions and redemptions made between the valuation date and year end.

The Hospitals Center's investment portfolio and assets limited as to use is classified as trading, with unrealized gains and losses included in excess of revenue over expenses.

Gains, losses and investment income are included in the consolidating statements of operations unless their use is temporarily or permanently restricted by donor stipulations.

Assets limited as to use primarily represent externally restricted assets held by trustees under long-term debt agreements, and cash equivalents and fixed income investments held by CCC550, which are restricted for the purposes of paying claims and administrative costs of the captive. Additionally, there are internally restricted assets limited to use funds set aside by the Board over which the Board retains control and may, at its discretion, subsequently use for other purposes.

#### **Fair Value Measurements**

Fair Value Accounting establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.



## NYU Hospitals Center

### Notes to Consolidated Financial Statements

#### August 31, 2014 and 2013

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As a basis for comparing assumptions, accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 Financial instruments for which quoted market prices are available in active markets. Level 1 assets consist of money market funds, equity securities, some mutual funds, and U.S. Treasury Notes/Bills securities as they are traded in an active market with sufficient volume and frequency of transactions.
- Level 2 Financial instruments for which there are inputs, other than the quoted prices in active markets, those are observable either directly or indirectly. The Hospitals Center's Level 2 assets consist of government backed securities. These investments can also be valued by the investment portfolio managers utilizing a portfolio system, which relies on one of the largest pricing services and is used by many mutual funds. The Hospitals Center reviews the results of these valuations in assessing its fair value of investments.
- Level 3 Financial instruments for which there are unobservable inputs, in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

The following is a description of the methods and assumptions used to estimate fair value of the Hospitals Center's assets limited as to use and marketable securities. There have been no changes in valuation methods and assumptions used at August 31, 2014 and 2013.

#### *U.S. Government Obligations, Fixed Income, and Equity Investment Funds*

Valued on the basis of the quoted market prices at year-end (Level 1). If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings (Level 2).

#### *Interest-bearing Cash Equivalents*

Consist primarily of U.S. Government debt securities with maturities less than three months from year-end. These investments are valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.

# NYU Hospitals Center

## Notes to Consolidated Financial Statements

### August 31, 2014 and 2013

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#### *Marketable Securities*

The Hospitals Center's entire marketable securities balance consists of investments held in the University endowment pool. As the fair value of these assets cannot be corroborated by observable market data as of August 31, 2014, it is therefore classified as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **Inventories**

The Hospitals Center's inventories are carried at the lower of cost or market using the FIFO (first-in, first-out) method. Inventories are used in the provision of patient care and generally are not held for sale.

#### **Deferred Financing Costs**

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is provided using the effective interest method over the term of the applicable indebtedness. See Note 6 for additional information relative to debt related matters.

#### **Property, Plant and Equipment**

Property, plant and equipment is carried at cost and those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Annual provisions for depreciation are made based primarily upon the straight-line method over the estimated useful lives of the assets.

Land improvement	20 years
Building and building improvement	40 years
Fixed and moveable equipment	3–15 years

Equipment under capital leases is recorded at present value at the inception of the leases and is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. The amortization of assets recorded under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in current operations. Repairs and maintenance expenditures are expensed as incurred.

#### **Asset Retirement Obligation**

The Hospitals Center recorded an asset retirement obligation liability related to the estimated future costs to remediate asbestos. At August 31, 2014 and 2013, this liability was approximately \$14.1 million and \$22.6 million and is included in other liabilities in the consolidated balance sheets.

#### **Net Assets**

Temporarily restricted net assets are those whose use by the Hospitals Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospitals Center in perpetuity.

## **NYU Hospitals Center**

### **Notes to Consolidated Financial Statements**

#### **August 31, 2014 and 2013**

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The Hospitals Center prepares its consolidated financial statements focusing on the entity as a whole and requires classification of net assets as unrestricted, temporarily restricted, or permanently restricted, as determined by the existence or absence of restrictions placed on the assets' use by donors or by provision of law. A description of the net assets classifications follows:

#### ***Permanently Restricted***

Net assets include gifts, pledges, trusts, and gains explicitly required by donors to be retained in perpetuity, while allowing the use of the investment return for general or specific purpose, in accordance with donor provisions.

#### ***Temporarily Restricted***

Net assets include gifts, pledges, trusts, and gains that can be expended, but the donor restrictions have not yet been met. Contributions receivable that do not carry a purpose restriction are deemed to be time restricted. Temporary restrictions are removed either through the passage of time or because certain actions are taken by the Hospitals Center that fulfill the restrictions.

#### ***Unrestricted***

Unrestricted net assets are the remaining net assets of the Hospitals Center that are used to carry out its mission and are not subject to donor restrictions.

#### **Contributions**

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. Contributions receivable are reported at their discounted present value and an allowance for amounts estimated to be uncollectible is provided. Conditional promises to give are not recognized as revenue until they become unconditional, that is when the conditions on which they depend are substantially met.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected in temporarily restricted net assets and net assets released from restrictions in the accompanying consolidating financial statements.

#### **Uncompensated Care**

As a matter of policy, the Hospitals Center provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense.

The Hospitals Center's charity care policy, in accordance with the New York State Department of Health's guidelines, ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients that qualify. Patients are eligible for the charity care fee schedule if they meet certain income and liquid asset tests. For accounting and disclosure purposes, charity care is reported at cost. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Total forgone charges for charity care totaled \$24.3 million and \$15.8 million for fiscal years 2014 and 2013. This equated to an approximate cost of \$7.6 million and \$6.1 million for the years ended August 31, 2014 and 2013, respectively, which is based on a ratio of cost to charges during the year.

## **NYU Hospitals Center Notes to Consolidated Financial Statements August 31, 2014 and 2013**

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New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of bad debts and services provided to the uninsured. The funds are distributed to the Hospitals Center based on each hospital's level of bad debt and charity care in relation to all other hospitals. Subsidy payments recognized as revenue amounted to approximately \$8.5 million and \$9.6 million for 2014 and 2013, respectively, and are included in net patient service revenue in the accompanying consolidated statements of operations.

Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospitals Center's full rates. Uncollected balances for these patients are categorized as bad debts. For the years ended August 31, 2014 and 2013, respectively, the Hospitals Center recorded provisions for bad debts of \$11.6 million and \$19.6 million, respectively.

### **Performance Indicator**

The consolidated statements of operations include excess (deficiency) of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include changes in pension and postretirement obligations, and net assets released from restriction for capital purposes.

The Hospitals Center differentiates its operating activities through the use of gain from operations as an intermediate measure of operations. For the purposes of display, items which management does not consider to be components of the Hospitals Center's operating activities are excluded from the gain from operations and reported as other items in the consolidated statements of operations. These include impairments of and gains (losses) on disposals of property, plant and equipment, disaster recovery reimbursement for capital, grants for capital asset acquisitions, investment return in excess of (less than) endowment distribution, net, and mission based payments to NYUSoM.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectable accounts receivable for services to patients, and liabilities, including estimated settlements with third party payors, malpractice insurance liabilities, pension and postretirement benefit liabilities. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

### **Income Taxes**

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. Uncertain income tax positions did not have a significant impact on the Hospitals Center's consolidated financial statements during the years ended August 31, 2014 and 2013.

**NYU Hospitals Center**  
**Notes to Consolidated Financial Statements**  
**August 31, 2014 and 2013**

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**2. Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts**

The Hospitals Center has agreements with third-party payors that provide for payments to the Hospitals Center at amounts different from its established rates (i.e., gross charges). Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Billings related to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances that represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable are also reduced for allowances for uncollectible accounts. The net amounts recorded, related to prior years and changes in estimates, increased the performance indicator by approximately \$17.2 million and \$12.7 million for 2014 and 2013, respectively.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. The Hospitals Center has implemented a monthly standardized approach to estimate and review the collectability of receivables based on the payor classification and the period from which the receivables have been outstanding. Past due balances over 90 days from the date of billing and over a specified amount are considered delinquent and are reviewed for collectability. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. Historical collection and payor reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, the Hospitals Center assesses the current state of its billing functions in order to identify any known collection or reimbursement issues and assess the impact, if any, on reserve estimates. The Hospitals Center believes that the collectability of its receivables is directly linked to the quality of its billing processes, most notably those related to obtaining the correct information in order to bill effectively for the services it provides. Revisions in reserve for doubtful accounts estimates are recorded as an adjustment to bad debt expense. The Hospitals Center's allowance for uncollectible accounts has remained consistent as a percentage of accounts receivables net of contractual allowances as of both August 31, 2014 and 2013.

A summary of the payment arrangements with major third-party payors follows:

**Medicare Reimbursement**

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The current Medicare severity adjusted diagnosis related groups ("MS - DRGs") reflect changes in technology and current methods of care delivery. The MS-DRG system is intended to ensure that payments more accurately reflect the costs of services provided by hospitals by better recognizing the severity of a patient's illness. The MS-DRGs also require identification of conditions that are present upon admission. Inpatient rehabilitation cases are grouped into case-mix groups. Outpatients are assigned to ambulatory payment classification groups. The Centers for Medicare and Medicaid Services ("CMS") issues annual updates to payment rates and patient classification groups.

## **NYU Hospitals Center Notes to Consolidated Financial Statements August 31, 2014 and 2013**

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### **Non-Medicare Reimbursement**

The New York Health Care Reform Act of 1996, as updated, governs payments to hospitals in New York State. Under this system, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospital's payment rates. If negotiated rates are not established, payors are billed at hospitals established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health ("NYS DOH") on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective July 1, 2008 and January 1, 2009, the NYS DOH updated the data utilized to calculate the NYS DRG service intensity weights ("SIW") in order to utilize more current data in DOH promulgated rates. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate the NYS DRG rates and SIW's in order to utilize refined data and more current information in DOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

There are also various other proposals at the federal and state level that could, among other things, reduce payment rates. The ultimate outcome of these proposals, regulatory changes, and other market conditions cannot presently be determined.

The Hospitals Center has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior year's payment rates, based on industry-wide and hospital-specific data. Net amounts due to third party payors at August 31, 2014 and 2013 were \$73.8 million and \$97.9 million, respectively. Additionally, certain payors' payment rates for various years have been appealed by the Hospitals Center. If the appeals are successful, additional income applicable to those years will be realized.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospitals Center's Medicare cost reports have been audited through December 31, 2009. In addition, the costs reports through December 31, 2002, and the cost report for the year ended December 31, 2009 have been finalized. Cost reports for the years of 2003 through 2008 have yet to be finalized. The audits of cost reports for years 2010 through 2013 have not been performed.

Federal and state law requires that hospitals provide emergency services regardless of a patient's ability to pay. In accordance with these laws, the Hospitals Center has implemented a discount policy and financial aid program that is consistent with the mission, values, and capacity of the Hospitals Center, while considering an individual's ability to contribute to his or her care. Under this policy, the discount offered to uninsured patients is reflected as a reduction to net patient service revenue at the time the uninsured billings are recorded.

Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow the Hospitals Center to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying consolidated statements of operations. The Hospitals Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. The inpatient and outpatient bad debt reserve rates are further refined on an annual basis.

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Patient service revenue, net of contractual allowances and discounts and the provision for bad debts is as follows for the years ended August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
Gross charges	\$ 6,705,405	\$ 4,901,311
Allowances	<u>(4,654,291)</u>	<u>(3,219,111)</u>
Patient service revenue, net of contractual allowances	2,051,114	1,682,200
Provisions for bad debts	<u>(11,611)</u>	<u>(19,583)</u>
Total net patient service revenue	<u>\$ 2,039,503</u>	<u>\$ 1,662,617</u>

The Hospitals Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor arrangements. The mix of patient service revenue, net of contractual allowances from patients and third-party payors for the years ended August 31, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Medicare	17 %	16 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	11 %	11 %
Blue Cross	24 %	23 %
Commercial insurance and managed care	<u>47 %</u>	<u>49 %</u>
	<u>100 %</u>	<u>100 %</u>

The mix of receivables from patients and third-party payors at August 31, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Medicare	12 %	12 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	17 %	17 %
Blue Cross	21 %	19 %
Commercial insurance and managed care	<u>49 %</u>	<u>51 %</u>
	<u>100 %</u>	<u>100 %</u>

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**3. Marketable Securities and Assets Limited as to use**

The composition and fair value hierarchy of marketable securities and assets limited as to use measured at fair value on a recurring basis at August 31, 2014 and 2013, is set forth in the following table:

	<b>August 31, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Marketable securities</b>				
Investments in University Endowment pool	\$ -	\$ -	\$ 27,818	\$ 27,818
Total noncash marketable securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,818</u>	27,818
Less: Current portion				<u>(3,731)</u>
Total long term marketable securities				<u>\$ 24,087</u>
	<b>August 31, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets limited as to use</b>				
U.S. Government and other obligations	\$ 46,159	\$ 34,180	\$ -	\$ 80,339
Fixed income	438,074	-	-	438,074
Equity	18,427	-	-	18,427
Investments held by CCC550	22,984	251,312	-	274,296
Total noncash assets limited as to use	<u>\$ 525,644</u>	<u>\$ 285,492</u>	<u>\$ -</u>	811,136
Cash and cash equivalents				<u>120,410</u>
Total assets limited as to use				931,546
Less: Current portion				<u>(96,308)</u>
Total long term assets limited as to use				<u>\$ 835,238</u>
	<b>August 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Marketable securities</b>				
Investments in University Endowment pool	\$ -	\$ -	\$ 25,739	\$ 25,739
Total noncash marketable securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,739</u>	25,739
Less: Current portion				<u>(3,562)</u>
Total long term marketable securities				<u>\$ 22,177</u>
	<b>August 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets limited as to use</b>				
U.S. Government and other obligations	\$ 92,282	\$ 7,220	\$ -	\$ 99,502
Fixed income	468,918	-	-	468,918
Investments held by CCC550	30,239	225,008	-	255,247
Total noncash assets limited as to use	<u>\$ 591,439</u>	<u>\$ 232,228</u>	<u>\$ -</u>	823,667
Cash and cash equivalents				<u>\$ 20,000</u>
Total assets limited as to use				843,667
Less: Current portion				<u>(68,350)</u>
Total long term assets limited as to use				<u>\$ 775,317</u>



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The following table provides a roll forward of the fair value of Level 3 marketable securities and assets limited as to use for the year ended August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Fair value at beginning of year</b>	\$ 25,739	\$ 287,616
Transfer of investments held by CCC550	-	(262,628)
Realized gains	1,170	2,377
Unrealized gains (losses)	2,359	(162)
Additions	-	10
Disposals	(1,450)	(1,474)
<b>Fair value at end of year</b>	<u>\$ 27,818</u>	<u>\$ 25,739</u>

The Hospitals Center invests in an investment pool maintained by the University which includes University endowment and similar funds. The pool is managed to achieve the maximum prudent long-term return. The University's Board of Trustees has authorized a policy designed to allow asset growth while providing a predictable flow of return to support operations. This policy permits the use of total return at approved spending rates (5.0% in 2014 and 2013, respectively). The rate is applied to the twelve-quarter moving average fair value of the investment pool. This amount, along with interest and dividends earned on short-term investments, is reported as operating revenues in the consolidated statements of operations. Investment return in excess of or less than the University's approved endowment distribution is reported as other items in the consolidated statements of operations.

Investment return consisted of the following for the years ended August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
Dividends and interest	\$ 12,502	\$ 4,714
Realized and unrealized gains (losses), net	18,693	(8,238)
Investment expenses	(75)	(102)
Total investment return, net	<u>\$ 31,120</u>	<u>\$ (3,626)</u>
Endowment distribution and return on short-term investments	\$ 21,194	\$ 3,060
Investment return in excess of (less than) endowment distribution, net	8,023	(7,550)
Temporarily restricted investment return, net	2,941	1,878
Temporarily restricted appropriation of endowment distribution	(1,038)	(1,014)
Total investment return, net	<u>\$ 31,120</u>	<u>\$ (3,626)</u>

The investments held in the University investment pool are comprised of the following:

	<b>2014</b>	<b>2013</b>
Equity securities	54 %	49 %
Opportunistic & Credit	25 %	25 %
Real Assets	10 %	13 %
Fixed income securities	10 %	8 %
Other	1 %	5 %
	<u>100 %</u>	<u>100 %</u>

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The Hospitals Center's assets limited as to use can be categorized as limited for the following purposes:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Externally Designated</b>		
<b>Assets held under long-term debt agreements (Note 6)</b>		
Construction funds	\$ 34,284	\$ 46,929
Debt service funds	6,515	5,666
Debt service reserve funds	39,552	44,640
Capitalized interest funds	-	2,267
	<u>80,351</u>	<u>99,502</u>
<b>Assets held by CCC550 (Note 7)</b>		
Cash	22,984	22,284
Bond fund	251,312	232,963
	<u>274,296</u>	<u>255,247</u>
<b>Total Assets limited as to use- externally designated</b>	354,647	354,749
<b>Assets limited as to use- other restrictions (Note 15)</b>	64,886	-
Less Current Portion	<u>(40,796)</u>	<u>(48,350)</u>
Long Term Portion	<u>\$ 378,737</u>	<u>\$ 306,399</u>
<b>Total Assets limited as to use - Board Designated</b>	\$ 512,013	\$ 488,918
Less Current Portion	<u>(55,512)</u>	<u>(20,000)</u>
Long Term Portion	<u>\$ 456,501</u>	<u>\$ 468,918</u>

**4. Contributions Receivable**

Unconditional promises to give are recorded when the gift intent is made known in writing. A receivable has been established and net assets have been increased by the time-discounted value of the unconditional promises. Irrevocable trusts are recorded at the point of notification and are recorded as temporarily or permanently restricted net assets as determined by the trust instruments. Estates are estimated and recorded at the conclusion of probate.

The Hospitals Center has received numerous unconditional promises to give and estimates the year of receipt to the extent possible. Contributions receivable are recorded within the accompanying consolidated balance sheets and are recorded net of an allowance for uncollectable pledges of \$7.4 million and \$7.0 million at August 31, 2014 and 2013, respectively.

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The anticipated present value of the receivable is as follows:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Amounts to be collected in</b>		
Less than one year	\$ 67,904	\$ 103,907
One to five years	94,486	90,865
More than five years	<u>26,012</u>	<u>6,012</u>
	188,402	200,784
Discount	(6,976)	(19,153)
Allowance for uncollectible amounts	<u>(7,351)</u>	<u>(6,979)</u>
Contributions receivable, net	<u>\$ 174,075</u>	<u>\$ 174,652</u>

Contributions receivable activity for the years ended August 31, 2014 and 2013 was as follows:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Contributions receivable at beginning of year, net</b>	\$ 174,652	\$ 92,037
Add discount and allowance for uncollectibles	<u>26,132</u>	<u>24,888</u>
<b>Contributions receivable at beginning of year, gross</b>	200,784	116,925
New pledges received (undiscounted)	53,715	163,041
Adjustments and write-offs	(1,252)	(3,150)
Pledge payments received	<u>(64,845)</u>	<u>(76,032)</u>
	188,402	200,784
Deduct discount to present value and allowance for uncollectibles	<u>(14,327)</u>	<u>(26,132)</u>
<b>Contributions receivable at end of year, net</b>	<u>\$ 174,075</u>	<u>\$ 174,652</u>

Conditional promises to give, not included in these financial statements, were \$38.2 million and \$42.5 million at August 31, 2014 and 2013, respectively.

Expenses related to fundraising activities were \$2.8 million and \$4.1 million for the years ended August 31, 2014 and 2013, respectively.

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**5. Property, Plant and Equipment**

A summary of property, plant and equipment is as follows at August 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Land and improvements	\$ 39,025	\$ 39,025
Buildings and improvements	1,561,680	1,167,866
Fixed and movable equipment	<u>446,902</u>	<u>420,734</u>
	2,047,607	1,627,625
Less: Accumulated depreciation	<u>732,549</u>	<u>629,909</u>
	1,315,058	997,716
Capital projects in progress	<u>643,289</u>	<u>476,046</u>
Property, plant and equipment, net	<u>\$ 1,958,347</u>	<u>\$ 1,473,762</u>

Depreciation expense for the years ended August 31, 2014 and 2013 was \$97.2 million and \$82.7 million, respectively.

The Hospitals Center capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In 2014 and 2013, approximately \$11.2 million and \$30.0 million were capitalized, respectively.

In 2013 management revised its original estimate of impaired property, plant and equipment. Refer to Note 15 for additional details on these impaired assets.

Substantially all property, plant and equipment have been pledged as collateral under various debt agreements (excluding working capital lines of credit).

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**6. Long-Term Debt**

A summary of long-term debt is as follows at August 31:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
Series 2000D <sup>(a)</sup>	\$ -	\$ 41,300
Series 2006A <sup>(b)</sup>	84,440	90,460
Series 2007A <sup>(c)</sup>	141,625	145,520
Series 2007B <sup>(d)</sup>	83,780	85,740
Series 2011A <sup>(e)</sup>	125,205	125,920
Taxable Series 2012A <sup>(f)</sup>	250,000	250,000
Taxable Series 2013A <sup>(g)</sup>	350,000	350,000
Taxable Exempt Leasing Program <sup>(h)</sup>	-	11,047
Bank loan <sup>(i)</sup>	148,750	-
Lines of credit <sup>(j)</sup>	200,000	50,000
Capital leases and equipment loans <sup>(k)</sup>	55,166	50,396
	<u>\$ 1,438,966</u>	<u>\$ 1,200,383</u>
Add: Unamortized bond premium	4,873	5,159
Less: Unamortized bond discount	(6,277)	(6,583)
Less: Current portion	<u>(36,363)</u>	<u>(77,165)</u>
Long term debt, less current portion	<u>\$ 1,401,199</u>	<u>\$ 1,121,794</u>

Interest expense on long-term debt totaled \$46.2 million and \$31.5 million for the years ended August 31, 2014 and 2013, respectively. This excludes \$12.9 million and \$11.2 million of capitalized interest for the years ended August 31, 2014 and 2013, which is included in property, plant and equipment, net.

- a. In April 2004, the Hospitals Center arranged for a bank syndicate to acquire all of its Series 2000D (which were part of an original Series 2000 issuance) thereby removing the Series 2000D bonds from the 28-day auction mode for a period of five years. This has been subsequently renewed on several occasions with the latest amendment extending for a period of 3 years, which was set to mature on January 1, 2014. Interest was reset at an interest rate of 30-day LIBOR plus 125 basis points. In November, 2013, the Hospitals Center cash defeased the remaining obligation outstanding.
- b. In October 2006, the Hospitals Center issued through DASNY the Series 2006A revenue bonds totaling \$94.6 million, and Series 2006B bonds, which matured in July 2012. The Series 2006A bonds are payable at varying dates through July 2026 at a fixed rate of 4.80%.

The proceeds of the Series 2006A and Series 2006B bonds were used to advance refund the Hospitals Center's portion of the outstanding indebtedness on the Series 2000A bonds (which were also part of the original Series 2000 issuance). This transaction completed the Hospitals Center's withdrawal from the Mount Sinai NYU Health Obligated Group in October 2007 when the University became the sole corporate member of the Hospitals Center's indebtedness. Accordingly, the Hospitals Center withdrew from the Obligated Group on October 4, 2006.

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- c. In February 2007, the Hospitals Center issued through DASNY, Series 2007A revenue bonds totaling \$165.3 million. The Series 2007A bonds are payable at varying dates through July 2036 at a fixed rate of 5.0%. The proceeds of the Series 2007A bonds were used primarily to refund the outstanding Series 2000B bonds and finance the acquisition of the Cancer Center facility.
- d. In December 2007, the Hospitals Center issued through DASNY, Series 2007B revenue bonds totaling \$95.5 million. The Series 2007B bonds are payable at varying dates through 2037 at a fixed rate of 5.6%. The proceeds of the Series 2007B bonds were used to finance certain capital expenditures of the Hospitals Center.
- e. In January 2011, the Hospitals Center issued through DASNY, Series 2011A revenue bonds totaling \$130.9 million. The Series 2011A bonds are payable at varying dates through July 2040 at fixed rates varying from 2.0% thru 6.0%. The proceeds of the Series 2011A bonds are to be used to finance the renovation and equipping of the Emergency Department ("ED") of the Hospitals Center, renovation and equipping of the new Musculoskeletal Center, various capital expenditures, and the funding of a debt service reserve fund.
- f. In August 2012, the Hospitals Center issued Series 2012A taxable bonds totaling \$250.0 million. The Series 2012A bonds required annual interest payments through July 2042 at a fixed rate of 4.4%. Principal on this bond is payable in full in 2042. The proceeds of the Series 2012A bonds are to be used to pay the costs of various construction, renovation and equipment projects, repay certain outstanding lines of credit and for working capital and other eligible corporate purposes.
- g. August 2013, the Hospitals Center issued Series 2013A taxable bonds totaling \$350.0 million. The Series 2013A bonds required annual interest payments through July 2043 at a fixed rate of 5.75%. Principal on this bond is payable in full in 2043. The proceeds of the Series 2013A bonds are to be used to pay the costs of various construction, renovation and equipment projects, repay certain outstanding lines of credit and for working capital and other eligible corporate purposes.
- h. In August 2009, the Hospitals Center entered into a lease agreement with DASNY under its tax-exempt leasing program. The lease line, totaling \$46.0 million at a fixed interest rate of 5.25% provided financing to the Hospitals Center for various capital equipment. In December 2013, the Hospitals Center repaid in full the remaining outstanding obligation due on this lease.
- i. In May 2014, the Hospitals Center entered into loan agreement with a bank totaling \$150.0 million. The loan requires fixed monthly principal, and interest payments at variable rate equal to the Prime Rate in effect through May 2019. The rate for this loan at August 31, 2014 was 0.95%, and debt outstanding was \$148.8 million. The proceeds of the loan are to be used to finance capital and other general corporate purposes.
- j. The Hospitals Center has four unsecured lines of credit totaling \$500.0 million (Commitments 1, 2, 3 and 4). Commitment no.1 has a total capacity of \$200.0 million. Interest is payable on funds drawn on this line of credit at LIBOR plus 100 basis points and was extended in 2014 to expire in September 2015. The debt outstanding for this commitment at August 31, 2014 was \$100 million. Commitment no. 2 has a total capacity of \$100.0 million, and was amended in March 2014 to extend the maturity date through March 2016. Interest is payable on funds drawn on this line of credit at LIBOR plus 85 basis points. There were no amounts outstanding on this commitment as of August 31, 2014 or August 31, 2013. Commitment no. 3 has a total capacity of \$100.0 million. Interest is payable on funds drawn on this line of credit at LIBOR plus 100 points and was extended in 2014 to expire in September 2015. The debt outstanding for this commitment at August 31, 2014 was \$50.0 million. Commitment no. 4 has a total capacity of \$100.0 million. Interest is payable on

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funds drawn on this line at LIBOR plus 85 basis points and expires in April 2016. At both August 31, 2014 and 2013, the Hospitals Center had \$50.0 million of debt outstanding for this commitment.

Total cumulative debt outstanding for four commitments was \$200.0 million on August 31, 2014. In September 2014, the Hospitals Center made repayments totaling \$150.0 million on these lines of credits.

- k. The Hospitals Center has several capital leases and loan agreements under which it can purchase various capital equipment. The agreements have interest rates varying from 1.09% through 2.24%. In calendar year 2014, the Hospitals Center finalized terms for the completion of two additional capital equipment lease lines totaling \$80.0 million. As of August 31, 2014, the Hospitals Center has drawn \$23.8 million on these two additional lines, which is included in the total capital lease obligation of \$55.2 million as of August 31, 2014.

In conjunction with the former and current debt agreements, the Hospitals Center has pledged as collateral various types of assets, which include an interest in the Hospitals Center's property, plant and equipment, gross receipts and limitations on the use of certain assets, including the transfer of assets to entities outside the Hospitals Center. Under the terms of the various agreements listed above, the Hospitals Center is required to maintain certain financial ratios. Compliance with these financial covenants is measured on a fiscal year basis only. The Hospitals Center's most restrictive covenants are meeting minimum requirements for debt service coverage ratio, days cash on hand and a cushion ratio. During 2014 and 2013, the Hospitals Center was in compliance with all financial ratio covenants.

Principal payments on long-term debt are as follows:

*(in thousands)*

2015	\$ 36,383
2016	237,249
2017	34,671
2018	30,008
2019	147,946
Thereafter	<u>952,709</u>
	<u>\$ 1,438,966</u>

**Fair Value of Long-Term Debt**

Fair values of the Hospitals Center's series bonds are based on current traded value and are classified as Level 2. The fair values of the Hospitals center's other loans, capital leases and lines of credit approximate carrying value. These fair values are based on unobservable market data and are therefore classified as Level 3.

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The carrying amounts and fair values of the Hospitals Center's long-term debt at August 31, 2014 and 2013 are as follows:

<i>(in thousands)</i>	2014		2013	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Level 2	\$ 1,033,646	\$ 1,143,650	\$ 1,087,516	\$ 1,056,001
Level 3	403,916	403,916	111,443	111,443
Long-term debt	\$ 1,437,562	\$ 1,547,566	\$ 1,198,959	\$ 1,167,444

**7. Professional Liabilities Insurance Program**

The Hospitals Center is self-insured for professional liability primarily through a wholly owned segregated cell captive company, CCC550, created on April 20, 2005 pursuant to the Exempt Insurance Act of Barbados. Prior coverage for professional and general liability risks was provided through a multi-provider pooled insurance program that includes commercial coverage and a captive insurance program.

Self-insured loss reserves are reported on a discounted basis and comprise estimates for known reported losses and loss expenses plus a provision for losses incurred but not reported. Losses are actuarially determined and are based on the loss experience of the insured. In management's opinion, recorded reserves for self-insured exposures are adequate to cover the ultimate net cost of losses incurred to date; however, the provision is based on estimates and may ultimately be settled for a significantly greater or lesser amount.

CCC550 has cash and cash equivalents, and investments totaling \$274.3 million and \$255.2 million at August 31, 2014 and 2013, respectively, to fund related obligations. Also, within accounts payable and accrued expenses, the Hospitals Center has recorded obligations related to the multi-provider pooled program, and obligations related to excess self-insured exposures not covered by CCC550. CCC550 has total obligations for insurance exposures of \$233.2 million and \$216.0 million as of August 31, 2014 and 2013, respectively. Including investment assets, CCC550 has total assets of \$353.8 million and \$327.7 million at August 31, 2014 and 2013, respectively. Including obligations for insurance exposures, CCC550 has total liabilities of \$303.3 million and \$293.2 million at August 31, 2014 and 2013, respectively. After eliminating entries, net assets on the consolidated balance sheets relating to CCC550 are \$255.3 million and \$240.9 million at August 31, 2014 and 2013, respectively.

CCC550 also provides insurance coverage to certain voluntary attending physicians servicing NYUSoM and the Hospitals Center. The cost of this insurance coverage is the responsibility of such physicians.

**8. Retirement Plans**

Substantially all Hospitals Center employees are covered by retirement plans. These plans include various defined contribution plans, multi-employer plans and one Hospitals Center-sponsored defined benefit plan.



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The Hospitals Center contributes to its defined contribution plans based on rates required by union or other contractual arrangements. Expenses related to the Hospitals Center's single employer defined contribution plans were \$24.8 million and \$21.7 million for the years ended August 31, 2014 and 2013, respectively.

**Multi-employer Plans**

The Medical Center also contributes to multi-employer retirement plans. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (3) if the Hospitals Center chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Hospitals Center does not have a minimum funding requirement for its multi-employer retirement plans. The Hospitals Center has contributed cash and recorded expenses for the multi-employer retirement plans noted in the table below.

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Multi-employer Retirement Plans</b>		
1199 SEIU Health Care Employees Pension Fund <sup>(a)</sup>	\$ 23,317	\$ 17,507
Local 810 Pension Fund <sup>(a) (b)</sup>	883	797
	\$ 24,200	\$ 18,304

<sup>(a)</sup> Represents less than 5% of total plan contributions, based on the most recent Form 5500 available.

<sup>(b)</sup> The Hospitals Center's contributions are insignificant.

The following table includes additional disclosure information related to the 1199 Pension Fund multi-employer retirement plan:

Multi-employer Pension Plan Name	EIN/Pension Plan Number	Pension Protection Act Zone Status <sup>(c)</sup>		FIP/RP <sup>(d)</sup> Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
		2014	2013			
1199 Pension Fund	13-3604862/001	N/A	Green	N/A	No	September 30, 2018

<sup>(c)</sup> A zone status rating of green, yellow, or red indicates the plan is at least 80% funded, between 65% and 80% funded, and less than 65% funded, respectively. "N/A" indicates the current information is not available.

<sup>(d)</sup> Funding improvement plan or rehabilitation plan.

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**Hospitals Center-sponsored Defined Benefit Plan**

Contributions to the defined benefit plan are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions to the defined benefit plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 plus such additional amounts as the sponsors may deem appropriate, from time to time. Pension benefits under this plan are based on participants' final average compensation levels and years of service. The measurement date for the defined benefit plan is August 31, 2014. The Hospitals Center's plan was frozen as of June 30, 2000, and is no longer available to any new participants. Participants of the plan as of that date continue to accrue benefits.

The following table provides information with respect to the plan as of and for the years ended August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Plans' Funded Status</b>		
<b>Change in benefit obligation</b>		
Benefit obligation at beginning year	\$ 383,912	\$ 426,129
Service cost	4,933	6,130
Interest cost	18,806	16,768
Actuarial loss (gain)	52,770	(52,388)
Benefits paid	<u>(15,640)</u>	<u>(12,727)</u>
Benefit obligation at end of year	<u>444,781</u>	<u>383,912</u>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets at beginning of year	298,003	284,289
Actual return on plan assets	50,888	26,441
Employer contributions	14,936	-
Benefits paid	<u>(15,640)</u>	<u>(12,727)</u>
Fair value of plan assets at end of year	<u>348,187</u>	<u>298,003</u>
Funded status at end of year	<u>\$ (96,594)</u>	<u>\$ (85,909)</u>
<b>Amounts recognized in the consolidated balance sheet consist of</b>		
Current liabilities	\$ -	\$ -
Noncurrent liabilities	<u>96,594</u>	<u>85,909</u>
Total amount recognized in consolidated balance sheet	<u>\$ 96,594</u>	<u>\$ 85,909</u>
<b>Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in the coming year</b>		
Net loss	<u>\$ 15,744</u>	<u>\$ 12,140</u>

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	2014	2013
<b>Amounts not reflected yet in net periodic benefit cost and included in unrestricted net assets are as follows</b>		
Net loss	\$ 140,031	\$ 130,020
Total decrease in unrestricted net assets	<u>\$ 140,031</u>	<u>\$ 130,020</u>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 4,933	\$ 6,130
Interest cost	18,806	16,768
Expected return on plan assets	(20,269)	(17,056)
Amortization of actuarial loss	12,140	19,361
Net periodic benefit cost	<u>\$ 15,610</u>	<u>\$ 25,203</u>
<b>Other changes recognized in unrestricted net assets</b>		
Actuarial net (gain) loss arising during period	\$ 22,151	\$ (61,774)
Amortization of actuarial loss	(12,140)	(19,361)
Total recognized in other changes in unrestricted net assets	<u>\$ 10,011</u>	<u>\$ (81,135)</u>

	2014	2013
<b>Weighted average assumptions used to determine net periodic benefit cost</b>		
Discount rate	5.00 %	4.00 %
Rate of increase in compensation levels	4.00 %	4.00 %
Expected long term rate of return on assets	7.00 %	6.00 %
<b>Weighted average assumptions used to determine benefit obligation as of August 31</b>		
Discount rate	4.25 %	5.00 %
Rate of compensation increase	4.00 %	4.00 %

The accumulated benefit obligation for the pension plans were \$421.5 million and \$365.2 million at August 31, 2014 and 2013, respectively.

**Plan Assets**

The plans' investment objectives seek a positive long-term total rate of return after inflation to meet the Hospitals Center's current and future plan obligations. Asset allocations for the plan combines tested theory and informed market judgments to balance investment risks with the need for high returns. The Hospitals Center's target asset allocations are 70% in equity securities and 30% in fixed income securities.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, weighting the asset class returns by the plans' investment in each class, and taking into account expected volatility and correlation between the returns of various asset classes. Hospitals Center management believes 7.00% and 6.00% are reasonable long term rates of return on plan assets for 2014 and 2013, respectively, and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

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**Fair Value Measurements of Plan Assets**

The Hospitals Center's valuation methods and assumptions for the fair valuing of the pension assets are consistent with those described in Note 1. The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>Active Markets (Level 1)</b>	<b>Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Balance at August 31, 2014</b>
Cash and cash equivalents	\$ 3,224	\$ -	\$ -	\$ 3,224
Fixed income	93,201	-	-	93,201
Equity	172,693	-	-	172,693
International equity funds	79,069	-	-	79,069
Total assets at fair value	<u>\$ 348,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,187</u>

	<b>Active Markets (Level 1)</b>	<b>Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Balance at August 31, 2013</b>
Cash and cash equivalents	\$ 1,876	\$ -	\$ -	\$ 1,876
Fixed income	83,957	-	-	83,957
Equity	144,812	-	-	144,812
International equity funds	67,358	-	-	67,358
Total assets at fair value	<u>\$ 298,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,003</u>

**Contributions**

Annual contributions are determined by the Hospitals Center based upon calculations prepared by the Plan's actuaries. There are no expected or required contributions for fiscal year 2015.

**Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>(in thousands)</i>	<b>2014</b>
<b>Years Ending August 31,</b>	
2015	\$ 17,578
2016	19,117
2017	20,792
2018	22,166
2019	23,647
2020-2024	<u>132,830</u>
	<u>\$ 236,130</u>

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**9. Other Postretirement Benefits**

The Hospitals Center provides certain health care and life insurance benefits for eligible retired employees through multi-employer plans or its Hospitals Center-sponsored plans.

**Multi-employer Post-retirement Plans**

The Hospitals Center has contributed cash and recorded expenses for the multi-employer post-retirement plans noted in the table below.

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Multi-employer Post-retirement Plans</b>		
1199 SEIU Health Care Employees Health & Welfare Fund <sup>(a)</sup>	\$ 56,172	\$ 49,500
Local 810 Health & Welfare Fund <sup>(a)</sup>	<u>2,215</u>	<u>3,337</u>
	<u>\$ 58,387</u>	<u>\$ 52,837</u>

<sup>(a)</sup> These benefit funds provide medical benefits (health, dental, prescription, vision) for active employees and retirees. Eligibility for benefit coverage level and type is dependent upon their status as an active employee or retiree.

**Hospitals Center-sponsored Defined Benefit Plan**

Hospitals Center employees may become eligible for these benefits if they reach the age and service requirements of the plan while working for the Hospitals Center. The costs related to these plans are accrued during the period the employees provide service to the Hospitals Center. Effective January 2012, participants who are currently ineligible for postretirement medical and who do not meet rule of 60 (age plus service greater than or equal to 60) with a minimum age 40 and minimum of 10 years of continuous service will move to a defined contribution arrangement for Medicare coverage and will no longer be valued as part of the plan. There was no impact on the pre-Medicare or life insurance benefits for plan participants who were not considered grandfathered.

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Information with respect to the plan as of and for the year ended August 31, 2014 and 2013 is as follows:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Plans' Funded Status</b>		
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 59,019	\$ 70,484
Service cost	1,912	2,443
Interest cost	2,907	2,786
Actuarial loss (gain)	11,805	(15,722)
Participant contributions	750	798
Plan amendments	-	-
Retiree drug subsidy receipts	188	189
Benefits paid	<u>(2,019)</u>	<u>(1,959)</u>
Benefit obligation at end of year	<u>\$ 74,562</u>	<u>\$ 59,019</u>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets at beginning of year	\$ -	-
Employer contributions	1,081	972
Plan participants' contributions	750	798
Benefits paid, net of subsidy receipts	<u>(1,831)</u>	<u>(1,770)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (74,562)</u>	<u>\$ (59,019)</u>
<b>Amounts recognized in the combined balance sheet consist of</b>		
Current liabilities	\$ 1,916	\$ 1,740
Noncurrent liabilities	<u>72,646</u>	<u>57,279</u>
Total amount recognized in consolidated balance sheet	<u>\$ 74,562</u>	<u>\$ 59,019</u>
	<b>2014</b>	<b>2013</b>
<b>Weighted average assumptions used to determine net periodic benefit cost</b>		
Discount rate	5.0 %	4.0 %
Expected long term rate of return on plan assets	N/A	N/A
	<b>2014</b>	<b>2013</b>
<b>Weighted average assumptions used to determine benefit obligation as of August 31</b>		
Discount rate	4.25 %	5.00 %
Initial health care cost trend rate	7.50 %	8.00 %
Ultimate retiree health-care cost trend	4.50 %	4.50 %
Year ultimate trend rate is achieved	2023	2021

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<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
<b>Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets</b>		
Prior service credit	\$ (1,062)	\$ (2,227)
Net loss	18,955	7,277
Amounts in unrestricted net assets at August 31	<u>\$ 17,893</u>	<u>\$ 5,050</u>
<b>Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in the coming year</b>		
Net loss	\$ 1,068	\$ 127
Prior service cost recognition	<u>(488)</u>	<u>(1,165)</u>
Total amounts to be expected to be recognized in net periodic benefit cost in the coming year	<u>\$ 580</u>	<u>\$ (1,038)</u>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 1,912	\$ 2,443
Interest cost	2,907	2,786
Amortization of prior service cost	(1,165)	(1,995)
Amortization of actuarial loss	<u>127</u>	<u>1,576</u>
Net periodic benefit cost	<u>\$ 3,781</u>	<u>\$ 4,810</u>
<b>Other changes recognized in unrestricted net assets</b>		
Actuarial net loss (gain) arising during period	\$ 11,805	\$ (15,722)
Amortization of actuarial net loss	(127)	(1,576)
Amortization of prior service cost	<u>1,165</u>	<u>1,995</u>
Total recognized in other changes in unrestricted net assets	<u>\$ 12,843</u>	<u>\$ (15,303)</u>

In 2014 and 2013, the effect of a 1% change in the health care cost trend rate is as follows:

<i>(in thousands)</i>	<b>2014</b>	
	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total of service and interest cost components	<u>\$ 858</u>	<u>\$ (691)</u>
Effect on postretirement benefit obligation	<u>\$ 13,362</u>	<u>\$ (9,944)</u>
	<b>2013</b>	
	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total of service and interest cost components	<u>\$ 1,059</u>	<u>\$ (837)</u>
Effect on postretirement benefit obligation	<u>\$ 8,972</u>	<u>\$ (7,351)</u>

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**Plan Assets**

The plan does not have any plan assets.

**Benefit Payments**

The following benefit payments (net of retiree contributions) and estimated gross amount of subsidy receipts, as appropriate, are expected as follows:

<i>(in thousands)</i>	<b>Estimated future benefit payments:</b>	<b>Estimated gross subsidy receipts:</b>
<b>Years Ending August 31,</b>		
2015	\$ 2,210	\$ 254
2016	2,480	275
2017	2,741	300
2018	3,107	326
2019	3,467	352
2020 - 2024	22,510	2,203
	<u>\$ 36,515</u>	<u>\$ 3,710</u>

**10. Functional Expenses**

Expenses by function related to the provision of health care services are as follows for the years ended August 31, 2014 and 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>
Health care related services	\$ 1,719,536	\$ 1,351,106
General and administrative	389,987	434,292
Disaster-related expenses	22,139	115,074
	<u>\$ 2,131,662</u>	<u>\$ 1,900,472</u>

**11. Related Organizations**

The Hospitals Center shares various services with both NYUSoM and the University. The net balance due (to) related parties at August 31, 2014 was (\$2.3 million), which consisted of (\$1.9 million) due to NYUSoM and (\$0.4 million) due to the University. The net balance due from related parties at August 31, 2013 was \$3.2 million, respectively, which consisted of \$2.9 million due from NYUSoM and \$0.3 million due from the University.

In 2014 and 2013, the Hospitals Center transferred \$30.0 million and \$35.7 million, respectively, to NYUSoM to support certain joint strategic programs that are expected to promote the common missions of the Hospitals Center and NYUSoM. This amount is included as an expense in the other items section in the consolidated statements of operations.

**12. Commitments and Contingencies**

**Litigation**

The Hospitals Center is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Management is of the opinion



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that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Hospitals Center's consolidated balance sheet.

**Operating Leases**

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more at August 31, 2014 consisted of the following:

*(in thousands)*

2015	\$	24,820
2016		25,065
2017		22,778
2018		22,161
2019		21,084

Total rent expense for 2014 and 2013 was \$35.8 million and \$32.5 million, respectively.

**Other**

The Hospitals Center is self-insured for workers' compensation benefits. In connection with being self-insured, the Hospitals Center has stand-by letters of credit aggregating approximately \$25.2 million and \$22.9 million at August 31, 2014 and 2013. Cash and marketable securities collateralize the letters of credit.

The Hospitals Center is self-insured, based on individual employees' elections for Hospitals and pharmaceutical benefits. Liabilities have been accrued at August 31, 2014 and 2013 based on expected future payments pertaining to such years.

**13. Components of Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at August 31, 2014 and 2013:

*(in thousands)*

	<b>2014</b>	<b>2013</b>
<b>Temporarily restricted</b>		
Contributions and earnings for operating purposes	\$ 103,828	\$ 80,944
Contributions for building and equipment	211,344	201,260
Disaster recovery award for future mitigation	201,253	-
	<u>\$ 516,425</u>	<u>\$ 282,204</u>

Permanently restricted net assets at August 31, 2014 and 2013 are retained in perpetuity with investment return on the respective funds available for programmatic support was \$13.0 million at August 31, 2014 and 2013. These funds are included in marketable securities on the balance sheet, which have fair values of \$27.8 million and \$25.7 million at August 31, 2014 and 2013, respectively.

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**14. Endowments**

The Hospitals Center's portion of the University's endowment consists of approximately 52 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The fair value of the Hospitals Center's endowments consisted of the following at August 31, 2014 and 2013:

<b>Endowment Net Asset Composition by Type of Fund as of August 31, 2014</b>				
<i>(in thousands)</i>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 11,042	\$ 13,045	\$ 24,087
Board-designated endowment funds	3,731	-	-	3,731
Total funds	<u>\$ 3,731</u>	<u>\$ 11,042</u>	<u>\$ 13,045</u>	<u>\$ 27,818</u>

<b>Endowment Net Asset Composition by Type of Fund as of August 31, 2013</b>				
<i>(in thousands)</i>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 9,139	\$ 13,038	\$ 22,177
Board-designated endowment funds	3,562	-	-	3,562
Total funds	<u>\$ 3,562</u>	<u>\$ 9,139</u>	<u>\$ 13,038</u>	<u>\$ 25,739</u>

Excluded from the permanently restricted portion of the Hospitals Center's endowment are contributions receivable. The temporarily restricted portion of the endowment includes accumulated unspent earnings from the permanently restricted portion of the endowment and is available for expenditure in subsequent years following appropriation by the Board of Trustees and the Hospitals Center. The unrestricted portion of the endowment includes certain funds which have been designated by the Board of Trustees to function as a fund of permanent duration (quasi-endowment) as well as any accumulated losses on any individual permanently restricted endowments.

The University Board has interpreted the State of New York's enacted version of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the University (and therefore, the Hospitals Center), absent of explicit donor stipulations to the contrary, to act in good faith and with care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purpose for which it was donated. The Hospitals Center classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. The remaining portion of donor restricted endowment funds that is not classified as permanently restricted is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the University's Board of Trustees.

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The Hospitals Center defines the appropriation of endowment net assets for expenditure as the authorization of its investment spending rate as approved annually by the Board of Trustees. In making a determination to appropriate or accumulate, the Hospitals Center adheres to the standard of prudence prescribed by NYPMIFA and considers the following factors:

1. The duration and preservation of the endowment fund;
2. The purpose of the Hospitals Center and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Hospitals Center;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Hospitals Center; and
8. The investment policy of the Hospitals Center.

The Hospitals Center has adopted investment and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the Hospitals Center activities while preserving the real purchasing power of the endowment. The Hospitals Center primary investment objective is to maximize total return within reasonable and prudent levels of risk while ensuring preservation of capital, to satisfy its long-term rate-of-return objectives. The Hospitals Center relies on a total return strategy, the objective of which is to achieve a return consisting of a consolidation of current income and capital appreciation recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various asset classes and utilizes strategies to help reduce risk.

The Hospitals Center investment policy states spending will be determined annually by the University Board. For the years ended August 31, 2014 and 2013, the spending rate was determined to be 5% of the twelve quarter moving average of the market value of the endowment. However, when donors have expressly stipulated a payout percentage of earnings on endowment that differs from the 5% policy determined above, the donor stipulated policy is followed. This is consistent with the Hospitals Center's objectives as addressed above.

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The following table provides the changes in each endowment net asset category:

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets at August 31, 2012</b>	\$ 3,688	\$ 8,289	\$ 13,011	\$ 24,988
Investment return				
Investment income, net of fees	1,340	6,560	-	7,900
Net appreciation/depreciation	<u>(1,020)</u>	<u>(4,683)</u>	<u>-</u>	<u>(5,703)</u>
Total investment return	320	1,877	-	2,197
Contributions and other additions	-	-	27	27
Endowment distribution	(41)	(1,014)	-	(1,055)
Liquidations	(300)	-	-	(300)
Other	<u>(105)</u>	<u>(13)</u>	<u>-</u>	<u>(118)</u>
<b>Endowment net assets at August 31, 2013</b>	3,562	9,139	13,038	25,739
Investment return				
Investment income, net of fees	142	902	-	1,044
Net appreciation/depreciation	<u>318</u>	<u>2,039</u>	<u>-</u>	<u>2,357</u>
Total investment return	460	2,941	-	3,401
Contributions and other additions	-	-	7	7
Endowment distribution	(41)	(1,038)	-	(1,079)
Liquidations	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>(250)</u>
<b>Endowment net assets at August 31, 2014</b>	<u>\$ 3,731</u>	<u>\$ 11,042</u>	<u>\$ 13,045</u>	<u>\$ 27,818</u>

**15. Superstorm Sandy**

On October 29, 2012, Superstorm Sandy struck New York City causing widespread damage to properties throughout the region, including lower Manhattan. The main campus facilities of the Medical Center were impacted, including the Hospitals Center inpatient and outpatient facilities and the NYUSoM research, faculty group clinical practice, and education facilities all of which were temporarily closed. The Medical Center restored all of its operations during 2013 with the exception of the ED which was reopened on April 22, 2014. During the period that the ED was out of service, the Hospitals Center operated an Urgent Care Center that provided care to a material portion of the patient volume formerly treated in the ED. The Medical Center incurred business interruption losses during the period that these facilities were shut down or being repaired. In addition, the Medical Center incurred significant disaster related operating costs to replace, repair, and remediate damage to its properties and to demolish and remove damaged improvements and contents. Projects to replace major equipment and infrastructure and to reconstruct damaged facilities were started immediately after the storm subsided and remain underway.

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The following is a summary of the commercial insurance and federal disaster recovery reimbursement revenues recognized by the Hospitals Center and reflected in the consolidated financial statements for the years ended August 31, 2014 and August 31, 2013:

	Federal Disaster Recovery			Total	Commercial Insurance
	FEMA Capped Grant Program	FEMA Emergency & Temporary Funding	Social Services Block Grant		
<i>(in thousands)</i>					
Medical Center Estimated Eligible Costs	\$ 1,130,073	\$ 199,327	\$ 22,000		
Allocated to Hospitals Center	\$ 508,800	\$ 108,085	\$ 22,000		
Federal Cost Share	90%	90%			
Hospitals Center Total Awarded	\$ 457,920	\$ 97,277	\$ 22,000	\$ 577,197	\$ 67,331
<b>2013 Statement of Operations</b>					
Operating Revenue	\$ -	\$ 107,420	\$ -	\$ 107,420	\$ 54,118
Non-Operating Revenue	-	-	-	-	2,000 (b)
2013 Total Revenues	-	107,420	-	107,420	56,118
2013 Cash Received	-	(96,979)	-	(96,979)	(53,500)
<b>Receivable at August 31, 2013</b>	\$ -	\$ 10,441	\$ -	\$ 10,441	\$ 2,618
<b>2014 Statement of Operations</b>					
Operating Revenue	84,137	(9,039)	22,000	97,098	9,232
Non-Operating Revenue	73,374	-	-	73,374	1,981 (b)
<b>Total Statement of Operations</b>	157,511	(9,039)	22,000	170,472	11,213
<b>2014 Statement of Changes in Net Assets</b>					
2014 Total Revenues	370,764	(9,039)	22,000	383,725	11,213
2014 Cash Received	(329,314)	-	-	(329,314)	(10,331)
Reallocation from NYUSoM	-	-	-	-	(3,500)
<b>Net Receivable at August 31, 2014</b>	\$ 41,450	\$ 1,402	\$ 22,000	\$ 64,852	\$ -
<b>Balance Sheet classification of net receivable</b>					
Short-term portion- disaster recovery receivable	\$ -	\$ 1,402	\$ 22,000	\$ 23,402	\$ -
Long-term portion- disaster recovery receivable	106,336	-	-	106,336	-
Deferred Revenue- disaster recovery	(64,886)	-	-	(64,886)	-
	\$ 41,450	\$ 1,402	\$ 22,000	\$ 64,852	\$ -

(b) Netted against disaster-related impairment of property, plant and equipment (see table on page 39).

**Federal Disaster Recovery Assistance**

The Federal Emergency Management Agency ("FEMA") committed significant aid to the Medical Center to assist in the recovery process and to mitigate losses which may occur as a result of future storms. On July 29, 2014, a letter of undertaking was executed by FEMA, the State of New York, New York University and the Medical Center agreeing to the terms of a fixed, capped Public Assistance Grant ("the Capped Grant") in the amount of \$1.13 billion under the alternative procedures authorized under Section 428 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The Medical Center will receive 90% of the awarded amount for the performance of agreed upon scope of work less amounts received from commercial insurance as may be required to avoid a duplication of benefits. This agreed upon scope of work is for the repair and replacement of eligible damage totaling \$540.4 million and for approved hazard mitigation projects totaling \$589.7 million for Medical Center properties. Of these amounts, the Hospitals Center's portion for the repair and replacement of eligible

## **NYU Hospitals Center Notes to Consolidated Financial Statements August 31, 2014 and 2013**

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damage totals \$271.9 million and the portion for approved hazard mitigation projects totals \$236.9 million. Of the \$271.9 million related to repairs and replacement, the Hospitals Center recognized revenue of \$157.5 million which represents 90% of eligible costs incurred through August 31, 2014. Of the \$236.9 million related to hazard mitigation projects, the Hospitals Center has recognized 90% of this total (or \$213.3 million) as a temporarily restricted disaster recovery award for future mitigation that will be released from restriction as these related costs are incurred.

In August 2014, the Medical Center received the initial disbursement from the Capped Grant totaling \$419.4 million based on the committed disaster related amounts spent or committed to be spent in the initial twelve month period pursuant to the terms of the funding agreement. Of this initial disbursement amount, \$329.3 million was allocated to the Hospitals Center is comprised of \$222.4 million for repairs and replacement of eligible damage and \$106.9 million for hazard mitigation projects.

As of August 31, 2014 the unspent portion of the amounts received for repairs and replacement totaling \$64.9 million is recorded on the consolidated balance sheet in long-term assets limited as to use, and deferred revenue. The revenues will be recognized as the allowable costs are incurred.

In addition to the Capped Grant award, FEMA continues to work with the Medical Center to finalize additional awards related to eligible disaster related emergency and non-permanent expenses that are not included in the Capped Grant. Revenue recognized is net of applicable insurance proceeds.

The Hospitals Center was awarded a Social Services Block Grant totaling \$22.0 million during 2014 to assist in the recovery of certain disaster related costs. Amounts covered by the award were expended and the entire award amount was recognized in revenue during the year and is recorded in disaster recovery receivable as of August 31, 2014.

### **Commercial Insurance**

The Medical Center had insurance policies in effect at the time of Superstorm Sandy for business interruption, property, casualty, and other insurance coverage subject to various limitations and deductibles.

Commercial insurance recoveries-unallocated of \$70.0 million was recorded in in the year ended August 31, 2013 of which \$60 million was collected in 2013 and the balance was collected as of August 31, 2014. The Hospitals Center's allocation of this amount totaled \$59.5 million. No allocation of these recoveries between business interruption, property casualty, and other insurance coverage has been or is expected to be made by the insurers.

In 2014, the Medical Center received \$11.0 million from commercial insurance as an advance payment for losses attributed to service interruption, of which \$3.9 million was allocated to the Hospitals Center.

The Hospitals recognized commercial insurance recoveries specifically attributed to property losses totaling \$2.0 million in each 2014 and 2013, respectively. These amounts, collected during 2014, have been recorded as a reduction to the disaster-related impairment of property, plant and equipment within the consolidated statements of operations.

Additional commercial insurance recoveries are expected and are being pursued but the ultimate outcome cannot be determined at this time and therefore, no additional revenue has been recorded for such expected recoveries through August 31, 2014.

**NYU Hospitals Center**  
**Notes to Consolidated Financial Statements**  
**August 31, 2014 and 2013**

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**Disaster-related Costs**

The following is a summary of the disaster-related costs reflected in the consolidated financial statements as of August 31, 2014 and 2013:

<i>(in thousands)</i>	<u>2014</u>	<u>2013</u>
Disaster-related operating expenses (a)	\$ 22,139	\$ 115,074
Gross disaster-related impairment of property, plant, and equipment	(559)	30,957
Less: Anticipated insurance recoveries solely attributed to property, plant and equipment	<u>(1,981)</u>	<u>(2,000)</u>
Disaster-related impairment of property, plant and equipment (b)	<u>\$ (2,540)</u>	<u>\$ 28,957</u>
Disaster-related capital expenditures (c)	<u>\$ 78,205</u>	<u>\$ 18,856</u>

**(a) Disaster-related operating expenses**

Remediation of building and grounds include environmental clean-up, emergency stabilization, and temporary repairs. Other disaster-related operating costs include temporary facilities, replacement of lost medical, surgical, pharmaceutical and research supplies, and other miscellaneous items.

**(b) Disaster-related impairment of property plant, and equipment**

Property, plant and equipment identified as impaired or destroyed was written off at the recorded net book value. The impairment amount is reported net of anticipated insurance recoveries specifically attributed to property losses.

**(c) Disaster-related capital expenditures**

Capital expenses incurred for hazard mitigation and the repair/restoration for eligible damages to the main campus and offsite facilities.

**16. Subsequent Events**

The Hospitals Center performed an evaluation of subsequent events through November 11, 2014, which is the date the consolidated financial statements were issued.

In October 2014, the Hospitals Center commenced providing ED services at the site of the former Long Island College Hospital ED pursuant to an agreement with the State University of New York ("SUNY") and a real estate development company (the "Company"). Pursuant to the agreement with SUNY and the Company, following demolition and remediation of adjacent premises, SUNY will deed the cleared site to the Hospitals Center at no cost and the Hospitals Center will construct on the site a four-story medical services building including a freestanding ED and other medical services.

The Hospitals Center entered into a non-binding letter agreement with a medical center in Brooklyn, New York concerning a potential affiliation transaction and is working actively to complete documentation of the proposed transaction during fiscal year 2015. As currently contemplated, the affiliation would involve the formation of a new intermediate holding company over the hospitals. The University would be the sole corporate member of the new holding company. Completion of the proposed affiliation is subject to successful completion of negotiations between the parties, approval by the governing boards and various regulatory approvals. There can be no assurance that such negotiations will be completed or that all necessary regulatory approvals will be obtained.

## **Consolidating Financial Information**



**NYU Hospitals Center  
Consolidating Balance Sheets  
August 31, 2014**

	NYU Hospitals Center	CCC550	Eliminations	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 323,459	\$ -	\$ -	\$ 323,459
Marketable securities	3,731	-	-	3,731
Assets limited as to use	40,796	-	-	40,796
Assets limited as to use - board designated	55,512	-	-	55,512
Patient accounts receivable, less allowances for uncollectibles (2014 - \$79,552)	303,479	-	-	303,479
Contribution receivable, current	67,904	-	-	67,904
Insurance receivables - billed	-	77,115	(34,710)	42,405
Inventories	32,193	-	-	32,193
Disaster recovery receivable	23,402	-	-	23,402
Other current assets	58,772	2,362	-	61,134
Total current assets	909,248	79,477	(34,710)	954,015
Marketable securities, less current portion	24,087	-	-	24,087
Assets limited as to use, less current portion	104,441	274,296	-	378,737
Assets limited as to use - Board designated	456,501	-	-	456,501
Contributions receivable, less current portion	106,171	-	-	106,171
Other assets	82,380	-	(63,771)	18,609
Disaster recovery receivable, less current portion	106,336	-	-	106,336
Deferred financing costs	10,519	-	-	10,519
Property, plant and equipment, net	1,958,347	-	-	1,958,347
Total assets	\$ 3,758,030	\$ 353,773	\$ (98,481)	\$ 4,013,322
<b>Liabilities and net assets</b>				
Current liabilities				
Current portion of long-term debt	\$ 36,363	\$ -	\$ -	\$ 36,363
Accounts payable and accrued expenses	176,220	205	-	176,425
Accounts payable and accrued expenses - disaster related	42,166	-	-	42,166
Accrued salaries and related liabilities	46,840	-	-	46,840
Accrued interest payable	9,754	-	-	9,754
Current portion of accrued postretirement liabilities	1,916	-	-	1,916
Deferred revenue- disaster recovery	64,886	-	-	64,886
Deferred revenue- other	1,861	56,558	(34,710)	23,709
Due to related organizations, net	2,269	-	-	2,269
Other current liabilities	44,841	-	-	44,841
Total current liabilities	427,116	56,763	(34,710)	449,169
Long-term debt, less current portion	1,401,199	-	-	1,401,199
Outstanding losses and loss adjustment expenses	-	233,239	-	233,239
Accrued pension liabilities	96,594	-	-	96,594
Accrued postretirement liabilities, less current portion	72,646	-	-	72,646
Other liabilities	199,640	13,298	(13,298)	199,640
Total liabilities	2,197,195	303,300	(48,008)	2,452,487
Net assets				
Unrestricted	1,031,365	50,473	(50,473)	1,031,365
Temporarily restricted	516,425	-	-	516,425
Permanently restricted	13,045	-	-	13,045
Total net assets	1,560,835	50,473	(50,473)	1,560,835
Total liabilities and net assets	\$ 3,758,030	\$ 353,773	\$ (98,481)	\$ 4,013,322

See accompanying notes to these consolidating financial statements.

**NYU Hospitals Center  
Consolidating Statements of Operations  
Year Ended August 31, 2014**

	NYU Hospitals Center	CCC550	Eliminations	NYUHC
<b>Operating revenue</b>				
Net patient service revenue, less provision for bad debts (2014 - \$11,611)	\$ 2,039,503	\$ -	\$ -	\$ 2,039,503
Premiums earned	-	63,869	(24,513)	39,356
Contributions	6,190	-	-	6,190
Endowment distribution and return on short-term investments	12,114	9,080	-	21,194
Commercial insurance recoveries	9,232	-	-	9,232
Disaster recovery reimbursement	97,098	-	-	97,098
Other revenue	146,874	-	(36,038)	110,836
Net assets released from restrictions for operating purposes	23,044	-	-	23,044
Total operating revenue	<u>2,334,055</u>	<u>72,949</u>	<u>(60,551)</u>	<u>2,346,453</u>
<b>Operating expenses</b>				
Salaries and wages	736,018	-	-	736,018
Employee benefits	257,451	-	-	257,451
Supplies and other	958,925	36,911	(24,513)	971,323
Depreciation and amortization	98,565	-	-	98,565
Interest	46,166	-	-	46,166
Disaster expense	22,139	-	-	22,139
Total operating expenses	<u>2,119,264</u>	<u>36,911</u>	<u>(24,513)</u>	<u>2,131,662</u>
Gain from operations	214,791	36,038	(36,038)	214,791
<b>Other items</b>				
Impairment of property, plant and equipment, net	2,540	-	-	2,540
Gain on disposals of property, plant and equipment	231	-	-	231
Disaster recovery reimbursement for capital	73,374	-	-	73,374
Grants for capital asset acquisitions	140	-	-	140
Investment return in excess of endowment distribution, net	8,023	-	-	8,023
Mission based payment to NYUSoM	(30,000)	-	-	(30,000)
Excess (deficiency) of revenue over expenses	<u>269,099</u>	<u>36,038</u>	<u>(36,038)</u>	<u>269,099</u>
<b>Other changes in unrestricted net assets</b>				
Changes in pension and postretirement obligations	(22,854)	-	-	(22,854)
Net assets released from restrictions for capital purposes	15,040	-	-	15,040
Net assets released from restrictions for hazard mitigation	12,000	-	-	12,000
Net increase (decrease) in unrestricted net assets	<u>\$ 273,285</u>	<u>\$ 36,038</u>	<u>\$ (36,038)</u>	<u>\$ 273,285</u>

See accompanying notes to these consolidating financial statements.

**Appendix C**

**Summary of Certain Provisions of  
the Loan Agreement**

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## Appendix C

### Summary of Certain Provisions of the Loan Agreement

The following is a brief summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein have the meanings ascribed to them in Appendix A.

#### **Termination**

The Loan Agreement will remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution have been made or provision made for the payment thereof; provided, however, that the provisions under the caption “Arbitrage” and the liabilities and the obligations of the Institution to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement will nevertheless survive any such termination. Upon such termination, an Authorized Officer of the Authority will deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of its duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

*(Section 38)*

#### **Project Financing**

The Authority agrees to use its best efforts to issue and deliver the Bonds. The proceeds of the Bonds will be applied as specified in the Resolution, the Series Resolutions authorizing the issuance of the Bonds or the respective Bond Series Certificate relating to such Bonds.

*(Section 4)*

#### **Construction of Projects**

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and under the Loan Agreement, the Institution will complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of each Project in connection with which the Authority has issued Bonds, substantially in accordance with the Contract Documents relating thereto. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the applicable Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority and the Commissioner of Health.

*(Section 5)*

#### **Amendment of a Project; Cost Increases; Additional Bonds**

A Project may be amended by the Institution upon compliance with Governmental Requirements and with the prior written consent of an Authorized Officer of the Authority and the Department of Health to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of a Project which the Authority is authorized to undertake.

Except as provided in the Loan Agreement, the Institution covenants that it will not transfer, sell, encumber or convey any interest in the Project or any part thereof or interest therein, including development rights (relating to any Project financed with tax-exempt bond proceeds), without complying with Governmental Requirements and obtaining the prior written consent of the Authority.

*(Section 6)*

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

1. Except to the extent that moneys are available therefor under the Resolution or under the Loan Agreement, including moneys in the Applicable Debt Service Fund, but excluding moneys from the Applicable Debt Service Reserve Fund, and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Fund, the Institution unconditionally agrees to pay or cause to be paid, so long as Applicable Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it, including payments to be made under the Master Indenture:

(a) On or before the date of delivery of the Series 2014 Bonds, payment of the Authority Fee and payment of the Department of Health fee;

(b) On or before the date of delivery of Bonds of a Series, such amount, if any, as is required in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(c) On the tenth (10<sup>th</sup>) day of each month commencing on the tenth (10<sup>th</sup>) day of the sixth (6<sup>th</sup>) month immediately preceding the date on which such interest becomes due, one-sixth (1/6) of the interest coming due on all Bonds issued by the Authority for the benefit of the Institution, on the immediately succeeding interest payment date for such Bonds; provided, however, that, if there are less than six (6) such payment dates prior to the first such interest payment date on the Bonds of a Series, on each payment date prior to such interest payment date the Institution will pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds of such Series;

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

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds previously called for redemption or contracted to be purchased is to be paid (unless as otherwise waived by the Authority), the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds;

(f) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with each Series of Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year;

(g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, the Resolution, the Master Indenture and any Obligations issued under the Master Indenture securing any Bonds in accordance with the terms thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys fees in connection with performance of their duties under the Resolution, and (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of a Series of Bonds or the financing or construction of a Project or Projects;

(h) On the date a Series of Bonds, other than the Series 2014 Bonds, Series 2011A Bonds, the Series 2007B Bonds, the Series 2007A Bonds or the Series 2006A Bonds, is issued, an amount equal to the Authority Fee;

(i) Promptly upon demand by an Authorized Officer of the Authority (a copy of which will be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the provisions described under the caption "Defaults and Remedies" below;

(j) Promptly upon demand by an Authorized Officer of the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds of a Series or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds of such Series;

(k) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency; and

(l) On November 10, 2006 and on the tenth day of each month thereafter, an amount equal to one-twelfth (1/12) of the annual Department of Health fee as described in the regulations of the Commissioner of Health.

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

The Authority directs the Institution, and the Institution agrees, to make the payments required by paragraphs (c), (d), (e), (i), and (k) above directly to the Applicable Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (b) above directly to the Applicable

Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraphs (a), (f), (g) and (h) above directly to the Authority, the payments required by paragraph (j) above to or upon the order of the Authority and the payments required by paragraph (l) above, directly to the Commissioner of Health. In the event that the payments required to be made directly to the Applicable Trustee pursuant to the preceding sentence are less than the total amount required to be paid to the Applicable Trustee and such payments relate to more than one Series of Bonds, the payments will be applied pro rata to each such Series of Bonds based upon the amounts then due and payable on each Applicable Series of Bonds, pursuant to paragraphs (c), (d), (e), (i) and (k) above, bears to the total amount then due and payable on all Applicable Series of Bonds pursuant to such paragraphs.

The Institution agrees that it is also obligated to make all payments when due on the Obligations to the applicable holders of the Obligations, and that the applicable holders will be entitled to so receive all payments when due on the Obligations, it being the intention of the parties to the Loan Agreement that the Obligations and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Obligations, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Applicable Trustee pursuant to the Obligations relating to the Series 2006A Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2011A Bonds and the Series 2014 Bonds, respectively, will serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement will serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in the provisions described under this caption), all moneys paid by the Institution to the Applicable Trustee pursuant to the Loan Agreement or otherwise held by the Applicable Trustee will be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Applicable Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this subdivision), (i) all moneys paid by the Institution to the Applicable Trustee pursuant to paragraphs (c), (d), (e), (i), and (k) above (other than moneys received by the Applicable Trustee pursuant to the section of the Resolution pertaining to compensation of the Trustee, which will be retained and applied by the Applicable Trustee for its own account) will be received by the Applicable Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Applicable Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Applicable Construction Fund to the Applicable Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution will be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Except as otherwise provided in the Resolution, the Applicable Trustee will hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of each Applicable Series of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of each Applicable Series of Bonds.



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

4. The Authority has the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the provisions described under this caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments” which has not been made by the Institution when due. No such payment by the Authority will limit, impair or otherwise affect the rights of the Authority under the provisions of the caption “Defaults and Remedies” below arising out of the Institution’s failure to make such payment and no payment by the Authority will be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

5. The Institution, if it is not then in default under the Loan Agreement, will have the right to make voluntary payments in any amount to the Applicable Trustee. In the event of a voluntary payment, the amount so paid will be deposited in accordance with the directions of an Authorized Officer of the Authority in the Applicable Debt Service Fund or held by the Applicable Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in a Debt Service Fund made pursuant to the Loan Agreement, the Authority agrees to direct the Applicable Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Applicable Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Applicable Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

*(Section 9)*

### **Reserve Funds**

Except to the extent a deposit is made to the Applicable Debt Service Reserve Fund upon the issuance of a Series of Bonds from the proceeds of the sale of such Bonds, simultaneously with the issuance of a Series of Bonds the Institution will deliver to the Applicable Trustee for deposit in the Applicable Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations the value of which is at least equal to its Applicable Debt Service Reserve Fund Requirement. The Institution agrees that it will at all times provide funds to the Applicable Trustee sufficient to maintain on deposit in

the Applicable Debt Service Reserve Fund an amount at least equal to the Applicable Debt Service Reserve Fund Requirement; provided, however, that the Institution will be required to deliver moneys, Government Obligations or Exempt Obligations to the Applicable Trustee for deposit in the Applicable Debt Service Reserve Fund as a result of a deficiency in such fund only upon receipt of the notice required by the Resolution.

Notwithstanding the foregoing, the Institution may deliver to the Applicable Trustee for deposit to the Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of its proportionate share of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution.

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

All Government Obligations, Exempt Obligations or other Securities deposited with the Applicable Trustee pursuant to the Loan Agreement for deposit to a Debt Service Reserve Fund will be fully negotiable (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto will be payable to bearer or to the registered owner. All Government Obligations, Exempt Obligations or other Securities in registered form will be registered in the name of the Applicable Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations, Exempt Obligations or other Securities will be transferred promptly following their delivery to the Applicable Trustee into the name of the Applicable Trustee (in its fiduciary capacity) or its nominee. The Institution hereby appoints the Applicable Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Institution agrees that upon each delivery to the Applicable Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Institution will deliver to the Authority and the Applicable Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations, Exempt Obligations or other Securities as contemplated hereby or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

*(Section 10)*

#### **Consent to Pledge and Assignment by the Authority; Covenants, Representations and Warranties**

The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Applicable Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (c), (d), (e), (i) and (k) of paragraph 1 under the above caption "Financial

Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments” and any or all security interests granted by the Institution under the Loan Agreement. The Government Obligations, Exempt Obligations and other Securities pursuant to the provisions of subdivision 1 under the above caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments” or under the above caption “Reserve Fund” and all funds and accounts established by the Resolution and pledged thereby in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated hereby whether or not the right to enforce such payment or performance will be specifically assigned by the Authority to the Applicable Trustee. The Institution further agrees that the Authority may pledge and assign to the Applicable Trustee any and all of the Authority’s rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Applicable Trustee authorized by the provisions under this caption “Consent to Pledge and Assignment by the Authority,” the Applicable Trustee will be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor hereby or by law, any of such rights directly in its own name. Any such pledge and assignment will be limited to securing the Institution’s obligation to make all payments required hereby and to performing all other obligations required to be performed by the Institution under the Loan Agreement.

The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws or resolutions duly adopted pursuant thereto to enter into the Loan Agreement, to incur the indebtedness contemplated in the Loan Agreement and to pledge, grant a security interest in and assign to the Authority and the Applicable Trustee for the benefit of the Holders of the Bonds, the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that except with respect to additional Bonds, any and all pledges, security interests in and assignments made or to be made pursuant to the Loan Agreement are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge, security interest or assignment granted or made pursuant to the Loan Agreement, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement and thereof are and will be valid and legally enforceable obligations of the Institution in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights. The Institution further covenants that it will at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement and all of the rights of the Authority under the Loan Agreement and the Holders of Bonds under the Resolution against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and the consummation of the transaction contemplated in the Loan Agreement and compliance with the provisions of the Loan Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations and Securities delivered to the Applicable Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

*(Section 12)*

### **Tax-Exempt Status**

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a “private foundation,” as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such listing continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it will not perform any act or enter into any agreement which will adversely affect such federal income tax status and will conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it will not perform any act or enter into any agreement which could adversely affect the exclusion of interest on any of the Bonds from federal gross income pursuant to Section 103 of the Code.

*(Section 13)*

### **Maintenance of Corporate Existence**

The Institution covenants that it will maintain its corporate existence, will continue to operate as a not-for-profit organization, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the Projects by the Institution, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default has occurred and is continuing and prior approval has been obtained from the Authority and the Commissioner of Health, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of Bond Counsel adversely affect the exemption from federal income tax of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and will meet the requirements of the Act, and (d) the surviving, resulting or transferee entity, as the case may be, will provide the Authority with such other certificates and opinions as may reasonably be required by the Authority.

*(Section 15)*

### **Use of Project**

Subject to the rights, duties and remedies of the Authority under the Loan Agreement and the statutory and regulatory powers of the Department of Health, the Institution has sole and exclusive control of, possession of and responsibility for (i) any Project financed under the Loan Agreement; (ii) the operation of such Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Projects.

*(Section 17)*

### **Restrictions on Religious Use**

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

*(Section 18)*

### **Maintenance, Repair and Replacement.**

The Institution agrees that, throughout the term of the Loan Agreement, it will, at its own expense, hold, operate and maintain an Applicable Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of an Applicable Project may be properly and advantageously conducted. The Institution will have the right to remove or replace any type of fixtures, furnishings and equipment in the Project(s) which may have been financed by the proceeds of the sale of any series of Bonds provided the Institution substitutes for any removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced. With regard to equipment, furniture and fixtures that have not been financed by the proceeds of the Bonds, the Institution may convey any such equipment, furniture and fixtures outside of the Obligated Group as permitted by the Master Indenture. As permitted in the Master Indenture, subject to compliance with all applicable Governmental Requirements, the Institution may transfer any equipment, furniture and fixtures at any time to any other Member of the Obligated Group. Notwithstanding the foregoing, in all cases such transfers may be made only if they will not adversely affect the tax-exempt status of the Bonds.

The Institution further agrees that it will pay at its own expense all extraordinary costs of maintaining, repairing and replacing an Applicable Project except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

*(Section 20)*

### **Damage or Condemnation**

In the event of a taking of a Project or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project, the Institution will use such insurance, condemnation or eminent domain proceeds as permitted by the Master Indenture provided that such use will not adversely effect the tax-exempt status on the Bonds. Proceeds paid to the Authority for the payment or prepayment of indebtedness shall be applied as provided in the Applicable Series Resolution or Applicable Bond Series Certificate.

*(Section 21)*

### **Taxes and Assessments**

The Institution will pay when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Institution or any of its property. The Institution will file exemption certificates as required by law.

*(Section 22)*

### **Defaults and Remedies**

1. As used in the Loan Agreement the term “Event of Default” means:

(a) the Institution (i) defaults in the timely payment of any amount payable pursuant to the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments” (other than pursuant to 1(f) and (1)(l) under the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments”) or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days or (ii) defaults in the payment of any amount payable pursuant to 1(c) and (1)(k) under the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments”;

(b) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied has been given by the Authority or the Applicable Trustee, provided that, if, in the determination of the Authority, such default cannot be corrected within such thirty (30) day period but can be corrected by appropriate action, it will not constitute an Event of Default if corrective action is instituted by the Institution within such period and is diligently pursued until the default is corrected;

(c) as a result of any default in payment or performance required of the Institution or any Event of Default under the Loan Agreement, whether or not declared, the Authority will be in default in the payment or performance of any of its obligations under the Resolution and an “Event of Default” (as defined in the Resolution) has been declared under the Resolution so long

as such default or Event of Default remains uncured or the Applicable Trustee or Holders of the Bonds will be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the Obligated Group will be in default under the Master Indenture or under any Obligation issued under the Master Indenture, and in either case such default continues beyond any applicable grace period;

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

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

(g) the charter of the Institution will be suspended or revoked;

(h) a petition to dissolve the Institution will be filed by the Institution with the Secretary of State of the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution;

(i) an order of dissolution of the Institution will be made by the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution which order will remain undismitted or unstayed for an aggregate of thirty (30) days;

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

(k) an order of a court having jurisdiction is made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order will remain undismitted or unstayed for the earlier of (x) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (y) an aggregate of thirty (30) days from the date such order will have been entered; or

(l) a final judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Bonds is rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (i) such judgment will not have been discharged, or (ii) the Institution will not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, and will not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default, the Authority will provide written notice of such Event of Default to the Department of Health upon receiving knowledge thereof, provided, however, that failure to give such notice will in no manner impair or diminish the Authority's ability to take any action under the Loan Agreement. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(a) declare all sums payable by the Institution under the Loan Agreement or under the Obligations relating to the Applicable Bonds immediately due and payable;

(b) direct the Applicable Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or any Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

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

(d) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all members of the Obligated Group under the Master Indenture or the Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Applicable Obligation;

(e) permit, direct or request the Applicable Trustee to liquidate all or any portion of the assets of the Applicable Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installment, if any, or redemption price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising herefrom or from the Resolution;

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



will be paid by the Institution to the Authority upon demand. For the purpose of exercising the rights granted by this subparagraph during the term of the Loan Agreement, the Institution hereby irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution; and

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

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

4. At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to subdivision 2 of this caption "Defaults and Remedies" and its consequences if such Events of Default will be cured. No such annulment will extend to or affect any subsequent default or impair any right consequent thereto.

5. The Institution will give the Authority and the Department of Health telephone and written notice within one business day of receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with the Master Indenture.

*(Section 26)*

### **Arbitrage**

The Institution covenants that it will not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2006A Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2011A Bonds and the Series 2014 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of the Tax Regulatory Agreement, which is incorporated in the Loan Agreement as if set forth fully in the Loan Agreement. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) will not, pursuant to an arrangement, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption) in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and, to the extent of any rebate or yield adjustment payment (as referred to in the Tax Regulatory Agreement) required to be paid, funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

*(Section 31)*

### **Amendments to Loan Agreement**

The Loan Agreement may be amended only in accordance with the Resolution and each amendment will be made by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which will be filed with the Applicable Trustee; provided

however, that no amendment or waiver of any provisions of the Loan Agreement may be made without the prior written consent of the Commissioner of Health.

*(Section 37)*

**Appendix D**

**Summary of Certain Provisions of the Resolution**

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## Appendix D

### Summary of Certain Provisions of The Resolution

The following is a brief summary of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Resolution. Defined terms used herein will have the meanings ascribed to them in Appendix A.

#### **Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts**

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds will be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series will not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority will be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any Bonds of a Series over any other Bonds of such Series except as expressly provided in or permitted by the Resolution or by the Applicable Series Resolution.

(Section 1.03)

#### **Option of Authority to Assign Certain Rights and Remedies to the Trustee**

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Applicable Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement, or Applicable Obligation, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Loan Agreement or Obligation, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement or Applicable Obligation, and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Applicable Bondholders, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement, or Applicable Obligation, subject to the following conditions: (a) that, unless and until the Authority grants, pledges or assigns such rights under the Applicable Loan Agreement or the Applicable Obligation to the Trustee, the Authority may, with the consent of the Applicable Credit Facility Issuer, if any, if required, modify, amend or release any provisions of such Applicable Loan Agreement, or the Applicable Obligation only as provided in the Resolution; (b) that the Holders of the Applicable Bonds, if any, will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; (c)

that, unless and until the Applicable Trustee will, in its discretion when an “Event of Default” (as defined in the Applicable Loan Agreement) under the Applicable Loan Agreement will have occurred and will be continuing, so elect, by instrument in writing delivered to the Authority and the Applicable Institution (and then only to the extent that the Trustee will so elect), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Applicable Loan Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, is to remain liable to observe and perform all the conditions and covenants, in the Applicable Loan Agreement to be observed and performed by it; provided, however, that any grant, pledge and assignment by the Authority of moneys, revenues, accounts, rights or other property of the Applicable Institution made with respect to the Applicable Loan Agreement pursuant to this paragraph will secure, in the case of the Applicable Loan Agreement or any applicable portion thereof, only the payment of the amounts payable under such Applicable Loan Agreement.

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

Upon (i) the occurrence of an Event of Default under the Resolution (other than an event of default specified in paragraph (c) in the caption “Events of Default” below) and (ii) the written request of the Applicable Bond Trustee, the Authority will assign the Obligation to the Applicable Trustee.

(Section 1.04)

### **Refunding Bonds**

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of such Refunding Bonds will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Series Resolution authorizing such Refunding Bonds.

With respect to the Refunding Bonds issued to refund all or any portion of any bonds or other obligations issued by the Authority, the proceeds, including accrued interest, will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided or as determined in accordance with the resolution or resolutions authorizing such bonds or other obligations.

(Section 2.04)

### **Additional Obligations**

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to an Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of an Applicable Series of Bonds

provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to an Applicable Series Resolution.

(Section 2.05)

### **Pledge of Revenues**

The proceeds from the sale of an Applicable Series of Bonds, the Revenues and all funds authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund, are by the Resolution, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution, subject to the adoption of an Applicable Series Resolution, will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Revenues and the funds established by and pursuant to the Applicable Series Resolution, which pledge will constitute a first lien thereon.

(Section 5.01)

### **Establishment of Funds**

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

- Construction Fund;
- Debt Service Fund;
- Debt Service Reserve Fund; and
- Arbitrage Rebate Fund

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

(Section 5.02)

**Application of Bond Proceeds and Allocation Thereof**

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority will apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

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

(Section 5.03)

**Application of Moneys in the Construction Fund**

For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee will deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority will remit to the Trustee and the Trustee will deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund will be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Bonds were issued.

Payments for Costs of an Applicable Project will be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates will be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds will be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or an Institution with respect to an Applicable Project will be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Applicable Institution which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate will state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that



such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Institution, will specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, will so state.

Upon receipt by the Trustee of the certificate required pursuant to the Resolution, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, will be paid by the Trustee as follows and in the following order of priority:

- First: Upon the direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;
- Second: To the Applicable Debt Service Reserve Fund, such amount as will be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and
- Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

(Section 5.04)

#### **Enforcement of Obligations, Deposit of Revenues and Allocation Thereof**

(a) To the extent an Applicable Institution fails to make any timely payment under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof, the Trustee will promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

(b) The Revenues, including all payments received under the Applicable Loan Agreement, Master Indenture and the Obligations, will be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. To the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

- First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to the Applicable Facility Provider, if any;
- Second: Upon the direction of an Authorized Officer of the Authority, to the Applicable Arbitrage Rebate Fund in the amount set forth in such direction;
- Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and
- Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the

financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

(c) After making the payments required by paragraph (a) of this section, the balance, if any, of the Revenues then remaining will, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution. The Trustee will notify the Authority and the Institution promptly after making the payments required by the Resolution, of any balance of Revenues then remaining.

(d) In the event that any payments received by the Trustee under the Resolution are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments will be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

(Section 5.05)

#### **Debt Service Fund**

1. The Trustee will on or before the business day preceding each interest payment date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

- (a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;
- (b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;
- (c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and
- (d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.
- (e) The amounts paid out pursuant to the Resolution will be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date the amount in the Applicable Debt Service Fund will be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee will withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee will notify the Authority, the Applicable Facility Provider, if any, Credit Facility Issuer, if any, Master Trustee, Obligated Group Representative and each member of the Obligated Group of a withdrawal from the Applicable Debt Service Reserve Fund.

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

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Applicable Outstanding Bonds payable on or prior to the next succeeding principal payment date, the interest on Applicable Outstanding Bonds payable on the earlier of the next succeeding interest payment date, and the purchase price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

(Section 5.06)

### **Debt Service Reserve Fund**

1. (a) The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Loan Agreement(s), are delivered to the Trustee by the Applicable Institution(s) for the purposes of the Applicable Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody’s and S&P or, if Outstanding Bonds of a Series are not rated by both Moody’s and S&P, by whichever of said rating services that then rates such Outstanding Bonds and (ii) that any letter of credit will be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a

foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s and S&P or, if such Outstanding Bonds are not rated by Moody’s and S&P, by whichever of said rating services that then rates such Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility will be deposited in full or partial satisfaction of a Debt Service Reserve Fund Requirement unless the Trustee will have received prior to such deposit (i) an opinion of counsel acceptable to an Applicable Credit Facility Issuer to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority, and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State and (iv) the written consent of all Applicable Credit Facility Issuers, if any.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority will, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 1 or July 1 next succeeding the reduction in said ratings.

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

For the purposes of the Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility will be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Resolution, said Reserve Fund Facility will be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of interest payment dates which has elapsed since such ratings were reduced and the denominator of which is ten.

2. Moneys held for the credit of the Applicable Debt Service Reserve Fund will be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under a

Applicable Reserve Fund Facility will be sought unless and until moneys are not available in the Applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Applicable Debt Service Reserve Fund pursuant to this section cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee will obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Trustee will provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

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

3. (a) Moneys and investments held for the credit of an Applicable Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, will be withdrawn by the Trustee and (i) deposited in the Applicable Arbitrage Rebate Fund, Debt Service Fund or Construction Fund, (ii) paid to the Institution(s) or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Applicable Institution pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, with respect to Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes, that no such amount will be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any such Bonds from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the "Defeasance" section of the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee will, simultaneously with such redemption or a deposit made in accordance with the "Defeasance" section of the Resolution, withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or (ii) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in this clause (ii) will not adversely affect the exclusion of interest on any Applicable Bonds from gross income for federal income tax purposes, or (iii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project(s) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund will not be less than the Applicable Debt Service Reserve Fund Requirement.

4. If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of a Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority and the Applicable Institution of such deficiency and such Institution will, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Applicable Institution has not made timely payment, the

Trustee will immediately notify the Authority, the Obligated Group Representative and the Master Trustee of such non-payment and will seek payment under the Applicable Obligation in accordance with the terms thereof.

(Section 5.07)

### **Arbitrage Rebate Fund**

The Trustee will deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Institution(s) for deposit therein and, notwithstanding any other provisions of the Resolution, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as will be set forth in such directions.

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

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

(Section 5.08)

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

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Debt Service Reserve Fund pursuant to the section in the Resolution entitled "Computation of Assets of Certain Funds," the amounts held in the appropriate accounts in the Applicable Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee will so notify the Authority and the Applicable Institution(s). Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds unless the Applicable Institution objects in writing within five (5) Business Days. The Trustee will, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in the Resolution.

(Section 5.09)

### **Computation of Assets of Certain Funds**

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of an Applicable Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, will compute the value of the assets in the Applicable Debt

Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Applicable Institution as to the results of such computation and the amount by which the value of the assets in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Reserve Fund Requirement.

(Section 5.11)

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

Money held under the Resolution by the Trustee in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, will, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, (which direction will specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

In lieu of the investment of moneys in obligations authorized in this Section, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements will be free and clear of claims of any other person.

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

In computing the amount in any fund held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund will be valued at the market value thereof, plus accrued interest and except that Investment Agreements will be valued at original cost, plus accrued interest.

The Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee will sell at the best price obtainable, or present for redemption or exchange, any investment

held by it pursuant to the Resolution whenever it will be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee will advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of this Section. The details of such investments will include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee will also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

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

(Section 6.02)

### **Enforcement of Duties and Obligations of the Institution**

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

(Section 7.06)

### **Deposit of Certain Moneys in the Construction Fund**

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project(s) and any moneys received in respect of damage to or condemnation of such Project(s) will be deposited in the Applicable Construction Fund.

(Section 7.07)



### **Amendment of Loan Agreements and Master Indenture**

The Authority may not amend, change, modify, alter or terminate a Loan Agreement or consent to the amendment, change, modification, alteration or termination of the Master Indenture, in either case so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Obligations held by the Authority. Notwithstanding any provision under this caption "Amendment of Loan Agreements and Master Indenture" to the contrary, the Authority may consent to the waiver, amendment or removal of any covenant or provision which, pursuant to the Master Indenture, may be waived by the Authority without the consent of the Holders of the Bonds or the Trustee. A Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of the Projects or which may be added to or adjacent to the Projects or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in a Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Notwithstanding anything in this Section to the contrary, if a Loan Agreement or the Master Indenture expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement or the Master Indenture, such consent shall be required to be obtained as provided in the Loan Agreement or the Master Indenture. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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

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

(Section 7.10)

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

The Authority will notify the Applicable Trustee and any Applicable Credit Facility Issuer in writing that an "Event of Default" under a Loan Agreement, as such term is defined in such Loan

Agreement, has occurred and is continuing, which notice will be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

### **Tax Exemption: Rebates**

Except as otherwise provided in a Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Applicable Series, the Authority will comply with the provisions of the Code applicable to the Bonds of each Applicable Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. Except as otherwise provided herein, the Authority will comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority will not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority’s failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series will not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority’s failure to comply with the provisions of the Resolution or of the Code.

(Section 7.12)

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

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

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Master

Indenture, or any Applicable Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution will cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution will contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

(Section 9.02)

#### **Applicable Supplemental Resolutions Effective With Consent of Bondholders**

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

(Section 9.03)

#### **Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the Authority which will be deemed to affect an Applicable Series of Bonds and of the Holders of the Bonds of such Applicable Series under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the written consent given as hereinafter provided in the section of the Resolution entitled "Consent of Bondholders," (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding of an Applicable Series at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, an Applicable Series will be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of

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

(Section 10.01)

### **Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such Bondholders either by mailing or publication will be required.

(Section 10.03)

### **Events of Default**

An event of default will exist under the Resolution and under an Applicable Series Resolution (herein called “event of default”) if:

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

(b) With respect to the Applicable Series of Bonds, payment of an installment of interest on any such Bond will not be made by the Authority when the same will become due and payable; or

(c) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of the covenants contained in the “Tax Exemption: Rebates” section of the Resolution and, as a result thereof, the interest on the Bonds of such Series will no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default will continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied will have been given to the Authority by the Trustee (unless such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof), which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series; or

(e) The Authority will have notified the Trustee that an “Event of Default”, as defined in the Applicable Loan Agreement, arising out of or resulting from the failure of the Institution to

comply with the requirements of the Applicable Loan Agreement will have occurred and be continuing and all sums payable by the Institution under the Applicable Loan Agreement will have been declared to be immediately due and payable, which declaration will not have been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds will not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

### **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the above caption “Events of Default,” other than an event of default specified in paragraph (c) in the above caption “Events of Default,” then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of the Credit Facility Issuer, if any, or Credit Facility Issuers, if any, making such deposit, will: (A) by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest will become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. In the event that a Credit Facility Issuer will make any payments of principal of or interest on any Bonds pursuant to a Credit Facility and the Bonds are accelerated, such Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds prior to the stated maturity dates thereof. At any time after the principal of the Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee will, with the written consent of the Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys will have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys will have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) will have been remedied to the satisfaction of the Trustee. No such annulment will extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

## **Enforcement of Remedies**

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the above caption "Events of Default," upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, will proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee will deem most effectual to protect and enforce such rights.

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

(Section 11.04)

## **Priority of Payments After Default**

If at any time the moneys held by the Trustee in the Applicable funds and accounts and under the Applicable Series Resolution will not be sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, will be applied (after payment of all amounts owing to the Trustee under the Resolution) as follows:

- (a) Unless the principal of all the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available will not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled

thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which will have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available will not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or 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 of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

The provisions of this Section are in all respects subject to the other provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Authority, to any Holder of Bonds of any Applicable Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee will exercise such discretion in applying such moneys, it will fix the date (which will be on an interest payment date unless the Trustee will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date.

(Section 11.05)

### **Bondholders' Direction of Proceedings**

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, will have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under the Applicable Series Resolution, provided, such direction will not be otherwise than in accordance with law or the provisions of the Resolution and of the Applicable Series Resolution, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

### **Limitation of Rights of Individual Bondholders**

No Holder nor the Credit Facility Issuer of a Credit Facility of any of the Bonds of an Applicable Series will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Credit Facility Issuer previously will have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the Consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the consent of the Applicable Credit Facility Issuer, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one (1) or more of the Credit Facility Issuers of an Applicable Series secured by the Resolution and by an Applicable Series Resolution will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity will be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series will have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right will not be impaired without the consent of such Holder.

(Section 11.08)

### **Defeasance**

If the Authority will pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds will be discharged and satisfied, and the right, title and interest of the Applicable Trustee in the Applicable Loan Agreement(s), and the Revenues will thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Applicable Trustee, on demand of the Authority, will release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and will execute such documents to evidence such release as may be reasonably required by the Authority and the Institution(s) and will turn over to the Institution(s) or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Applicable Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof,



the Authority will have taken all action necessary to redeem such Bonds and notice of such redemption will have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice will have been given to the Applicable Trustee.

Bonds of an Applicable Series for which moneys will have been set aside, will be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in this Section. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority will give written notice to the Trustee of its selection of the maturity for which payment will be made in accordance with this Section. The Trustee will select which Bonds of such Series and which maturity thereof will be paid in accordance with the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, will, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement(s) for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority and any such moneys so paid by the Trustee will be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement(s).

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which

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

No principal or Sinking Fund Installment of or installment of interest on a Bond will be considered to have been paid, and the obligation of the Authority for the payment thereof will continue, notwithstanding that a Credit Facility Issuer, if any, pursuant to the Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

Prior to any defeasance becoming effective under the Resolution, each Applicable Credit Facility Issuer will have received (a) the final official statement delivered in connection with the refunding of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

(Section 12.01)

**Appendix E-1**

**Summary of Certain Provisions of the  
Master Indenture**

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## Appendix E-1

### Summary of Certain Provisions of the Master Indenture

The following is a summary of certain provisions of the Master Indenture. Unless otherwise specified to the contrary in this Appendix E-1, all definitions and provisions summarized refer to the Master Indenture. This summary does not purport to be comprehensive and reference should be made to the Master Indenture for a full and complete statement of its provisions.

#### I DEFINITIONS USED IN THE MASTER INDENTURE

Unless the context otherwise requires, the following terms shall have the meanings specified below.

*Additional Indebtedness* means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the initial Obligations under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

*Affiliate* means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

*Affiliated School* shall mean the New York University School of Medicine.

*Audited Financial Statements* means, as to a Member of the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also consist of, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

*Authority* means the Dormitory Authority of the State of New York and any successor thereto.

*Authorized Representative* shall mean, with respect to the Obligated Group Representative, the Chairperson of its Governing Body or its chief executive officer, senior vice president for finance or its chief financial officer, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body or its president, chief executive officer, senior vice president for finance, chief financial officer or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its presidents or its chief executive officer or chief financial officer and filed with the Master Trustee.

*Balloon Long-Term Indebtedness* means Long-Term Indebtedness other than a Demand Obligation 25% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

*Book Value* when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

*Bond Trustee* means The Bank of New York Mellon, a banking organization duly organized under the laws of the State of New York and any successor to its duties under the Related Bond Indenture.

*Capital Addition* means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

*Code* means the Internal Revenue Code of 1986, as amended;

*Consultant* means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is not unacceptable to the Master Trustee.

*Credit Facility* means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

*Credit Facility Issuer* means the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Indebtedness or Related Bonds.

*Cross-over Date* means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

*Cross-over Refunded Indebtedness* means Indebtedness refunded by Cross-over Refunding Indebtedness.

*Cross-over Refunding Indebtedness* means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

*Defeasance Securities* means, as such term is defined in the applicable Related Bond Indenture.

*Defeased Obligations* means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

*Demand Obligation* means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

*Derivative Agreement* means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

*Derivative Period* means the period during which a Derivative Agreement is in effect.

*Escrowed Interest* means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the “Escrowed Interest Deposit”) which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

*Escrowed Principal* means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the “Escrowed Principal Deposit”) which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

*Event of Default* means any one or more of those events set forth below in section 4.01.

*Excluded Property* means any real Property that is not Health Care Facilities of the Obligated Group.

*Fiscal Year* means the fiscal year of NYUHC, which shall be the period commencing on September 1 of any year and ending on August 31 of such year unless the Master Trustee is notified in writing by NYUHC of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however that for purposes of making historical calculation determinations set forth in the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those Members whose actual fiscal year is different from August 31, the actual fiscal year of such Members which ended within the Fiscal Year of NYUHC shall be used.

*Fitch* means Fitch Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by written notice to the Master Trustee.

*GAAP* means generally accepted accounting principles.

*Governing Body* means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised.

*Government Obligation* means a direct obligation of the United States of America, an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America is pledged, an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; (i) Federal National Mortgage Association, and (j) upon the approval of the Applicable Credit Facility Issuers and the Authority, (A) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (B) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least “A” by S&P and Moody’s at all times;

*Governmental Restrictions* means federal, state or other applicable governmental laws or regulations, affecting any Member of the Obligated Group and its health care facilities including but not limited to (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges.

*Gross Receipts* shall mean all receipts, revenues, income and other moneys received or receivable by or on behalf of an Obligated Group Member, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, health-care-insurance receivables, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof, as such terms are presently or hereinafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, Gross Receipts shall not include (i) gifts, grants, bequests, donations, and contributions made before or after the date of the Master Indenture, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member under a Loan Agreement; (ii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under the



Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee.

*Gross Receipts Revenue Fund* means the fund established pursuant to the Master Indenture.

*Guaranty* means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account. Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test in the Master Indenture.

*Health Care Facilities* means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, shall not be deemed to be Health Care Facilities.

*Holder* means an owner of any Obligation issued in other than bearer form.

*Income Available for Debt Service* means, with respect to the Obligated Group, as to any period of 12 consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness minus any transfers to the Affiliated School, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write-down of assets for such period, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

*Indebtedness* means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group or obligations to the Affiliated School which are conditional upon the availability of funds.

*Insurance Consultant* means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or any captive insurance company, the term “Insurance Consultant” shall include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

*Lien* means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

*Long-Term Debt Service Coverage Ratio* means for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

*Long-Term Debt Service Requirement* means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least “A” by Moody’s, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least “A” by Alfred M. Best Company or its successors in Best’s Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the definition of “Guaranty” above;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness (as evidenced by a certificate filed with the Master Trustee so specifying that the Derivative Agreement relates to all or a portion of such Indebtedness, which certification may be provided at the time of or after the issuance of such Indebtedness), the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount of interest payable to the Member of the Obligated Group by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); provided, however, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

(vi) with respect to a Derivative Agreement that has not been certified as relating to underlying Indebtedness which has been entered into by any Member of the Obligated Group and which is secured by an Obligation, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement; and

(vii) notwithstanding anything in the Master Indenture to the contrary, any so-called mark to market charge or credit attributable to any Derivative Agreement under Statement of Financial Accounting Standards No. 133 or otherwise shall be excluded from calculation of the revenues and expenses, in each case, of each Member of the Obligated Group and all related definitions and financial covenants in the Master Indenture for all purposes of the Master Indenture. Furthermore, notwithstanding anything else in the Master Indenture to the contrary, any portion of any Indebtedness of any Member for which an Derivative Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Derivative Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Derivative Agreement; provided that the long-term credit rating of the provider of such Derivative Agreement (or any guarantor thereof) is in one of the three highest rating categories of any rating agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any Indebtedness is deemed to bear interest at such net rate taking into account a Derivative Agreement, any payments made by a Member on such Derivative Agreement shall be excluded from expenses and any payments received by a Member on such Derivative Agreement shall be excluded from revenues, in each case, for all purposes of the Master Indenture.

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of “Long-Term Debt Service Requirement”, in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

*Long-Term Indebtedness* means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Securities) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;
- (iii) installment sale or conditional sale contracts having an original term in excess of one year;
- (iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and
- (v) the current portion of Long-Term Indebtedness.

*Master Indenture* means the Amended and Restated Master Trust Indenture, dated as of November 25, 2014, including any amendments or supplements thereto.

*Master Trustee* means The Bank of New York Mellon, New York, and any successor under the Master Indenture.

*Maximum Annual Debt Service* means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

*Member of the Obligated Group or Member* means NYUHC and any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture.

*Moody’s* means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by written notice to the Master Trustee.

*Mortgage* means (i) the mortgage granted by NYUHC to the Authority and assigned to the Master Trustee to secure the obligations of NYUHC to the Master Trustee with respect to the initial Obligations and all such other Obligations as may be issued from time to time in accordance with the provisions of the Master Indenture, and (ii) any other mortgage encumbering additional property added as collateral for

Obligations granted by any Member of the Obligated Group to secure all Obligations issued pursuant to the Master Indenture.

*Mortgaged Property* means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property, which is subject to the liens and security interests created under a Mortgage.

*Non-Recourse Indebtedness* means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

*NYUHC* means NYU Hospitals Center, a not-for-profit corporation, incorporated and existing under the laws of the State of New York.

*Obligated Group* means, collectively, the Members of the Obligated Group.

*Obligated Group Representative* means NYUHC or its successor.

*Obligation* means the evidence of particular Indebtedness issued under the Master Indenture as a joint and several obligation of each Member of the Obligated Group. "Obligation" may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

*Officer's Certificate* means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer's Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any noncompliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

*Operating Assets* means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

*Opinion of Bond Counsel* means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer.

*Opinion of Counsel* means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

*Other Swap Payments* has the meaning set forth below in section 4.04.

*Outstanding* means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged, other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been

paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

*Permitted Liens* has the meaning set forth below in Section 3.05.

*Permitted Sale Leaseback* has the meaning set forth below in Section 3.14.

*Person* means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

*Property* means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

*Property, Plant and Equipment* means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

*Qualifying Release Parcel* means a Release Building or Release Unit meeting the 25% test set forth in Section 3.15.

*Regularly Scheduled Swap Payments* has the meaning set forth below in Section 4.04.

*Related Bond Indenture* means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued and, with regard to the Series 2014 Bonds, means the Dormitory Authority of the State of New York Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution, adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006.

*Related Bond Issuer* means the issuer of any issue of Related Bonds issued and, with regard to the Series 2014 Bonds, means the Dormitory Authority of the State of New York.

*Related Bonds* means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (i.e. a "Related Bond Issuer") ("governmental issuer"), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

*Related Bond Trustee* means the trustee and its successors in the trusts created under any Related Bond Indenture.

*Related Credit Facility Issuer* means the Credit Facility Issuer with respect to any issue of Related Bonds.

*Related Loan Agreement* means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group.

*Release Building* has the meaning set forth below in Section 3.15.

*Release Parcel* has the meaning set forth below in Section 3.15.

*Remaining Parcel* has the meaning set forth below in Section 3.15.

*S/L Certificate* has the meaning set forth below in Section 3.14.

*S/L Counterparty* has the meaning set forth below in Section 3.14.

*S/L Master Trustee Documents* has the meaning set forth below in Section 3.14.

*S/L Parcel* has the meaning set forth below in Section 3.14.

*S&P* means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by written notice to the Master Trustee.

*Series 2014 Bonds* means the Dormitory Authority of the State of New York NYU Hospital Center Revenue Refunding Bonds, Series 2014 Bonds issued under the Related Bond Indenture.

*Series 2014 Obligation* means the Obligation amending and consolidating the Obligations securing the Series 2007A Bonds and Series 2007B Bonds, which Obligation will secure the Series 2014 Bonds.

*Short-Term Indebtedness* means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, excluding trade debt incurred in the ordinary course of business but including:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) installment purchase or conditional sale contracts having an original term of one year or less.

*Subordinated Debt* means Indebtedness the payment of which is evidenced by instruments, or issued under an indenture or other document, containing specific provisions subordinating such Indebtedness to the

Obligations, including following any event of insolvency by the debtor or following acceleration of such Indebtedness.

*Supplement* means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

*Tax-Exempt Organization* means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

*Total Operating Revenues* means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

*Transfer* means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

*Variable Rate Indebtedness* means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

## II INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

2.01 Amount of Indebtedness. Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the provisions of the Master Indenture or of any Supplement. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Indenture.

2.07 Issuance of Obligations in Forms Other than Notes. Obligations may be issued under the Master Indenture in a form other than a promissory note to evidence any type of Indebtedness or Derivative Agreement that itself is in a form other than a promissory note including without limitation, deeming such Indebtedness or Derivative Agreement or certain payments due thereunder to be an Obligation. Consequently, the Related Supplement pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary or appropriate to permit the issuance of such Obligation under the Master Indenture and as are not inconsistent with the intent of the Master Indenture that all Obligations issued under the Master Indenture be equally and ratably secured by the lien on the trust estate created under the Master Indenture except to the extent that an Obligation provides for subordination of some or all of the payment obligations thereunder and/or subordination of security therefor. Any Derivative Agreement (or any particular payments thereunder) which is or are authenticated as an Obligation under the Master Indenture shall be equally and ratably secured by any lien created under the Master Indenture with all other Obligations except as otherwise provided in the Master Indenture; provided, however, that any such Obligation shall be deemed outstanding under the Master Indenture solely for the purpose of receiving payment under the Master Indenture and shall not be entitled to exercise any rights under the Master Indenture, including without limitation the right to vote or control remedies, and any Obligation issued to secure any Derivative Agreement shall not be deemed to be Outstanding for any purpose under the Master Indenture,



other than the right to receive payment of amounts due thereunder equally and ratably with all other Obligations.

### III PARTICULAR COVENANTS OF THE OBLIGATED GROUP

3.01 Security; Restrictions on Encumbering Property; Payment of Principal and Interest. (a) Any Obligation issued pursuant to the Master Indenture shall be a general obligation of each Member of the Obligated Group. To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations under the Master Indenture, the Mortgage heretofore granted to the Authority by the Member of the Obligated Group has been assigned to the Master Trustee. Each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Gross Receipts or, at the time of admission, shall pledge, assign and grant to the Master Trustee a security interest in its Gross Receipts. Upon receipt, all such security shall be held in trust for the holders from time to time of all Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation.

If any Event of Default summarized under paragraph (a), (d), (e) or (f) of section 4.01 below shall have occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in the Master Indenture), and any Gross Receipts thereafter received, shall immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to the Master Indenture. Upon receipt, all such Gross Receipts shall be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to the Master Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of the Master Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default summarized under paragraph (a), (d), (e) or (f) of section 4.01 below, the Members of the Obligated Group agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated by the Master Indenture, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under the Master Indenture, there shall be delivered to the Master Trustee financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Indenture as may be necessary or appropriate to include as security under the Master Indenture the Gross Receipts. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to the Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant the

Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created under the Master Indenture pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens as set forth in the Master Indenture) any of its Property.

(c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with the Master Indenture.

3.02 Covenants as to Corporate Existence, Maintenance of Properties, Etc. Each Member of the Obligated Group covenants:

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing contained in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this paragraph shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof (including, but not limited to, the Public Health Law of the State of New York for as long as there are Related Bonds of the Authority or its predecessors outstanding) and duly observe and conform to all valid orders, regulations or requirements of any

governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing contained in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Indenture) whose validity, amount or collectibility is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (if any, and other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this section if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as the Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

3.03 Insurance. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests

of the Obligated Group. Notwithstanding anything in this section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

3.04 Insurance and Condemnation Proceeds. (a) Unless otherwise provided in the Mortgages, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; *provided, however*, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee in writing and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subparagraph (i) to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

(iii) Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Mortgage, only in accordance with the assumptions described in subparagraph (i) above, or the recommendations described in subparagraph (ii) above.

3.05 Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture, which is set forth on a schedule to the Master Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to the Master Indenture;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by the Master Indenture;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of the Master Indenture, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained in the Master Indenture;

(x) Any Lien on Property (including moveable equipment) that secures Indebtedness or Derivative Agreements that conforms to the limitations contained in the Master Indenture, and that does not exceed in aggregate 20% of Total Operating Revenue as reflected in the most recent Audited Financial Statements;

(xi) Any Lien on Equipment used at a Health Care Facility provided the Indebtedness secured by such Lien was incurred in accordance with the Master Indenture;

(xii) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings; banker's liens or rights of setoff; or liens securing standby letters of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Indebtedness otherwise permitted under the Master Indenture;

(xiii) Any Liens on the proceeds of insurance insuring assets that are subject to a lease from a third party owner or lessor of such assets;

(xiv) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xv) Any Lien securing all Obligations on a parity basis, including the Lien created by the Master Indenture on Gross Receipts securing all Obligations and by a Mortgage;

(xvi) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xvii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xviii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group; and

(xix) Any Lien on Excluded Property.

3.06 Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if such Indebtedness could not be incurred pursuant to any one of paragraphs (a) to (g) inclusive of this section.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this paragraph, together with the Indebtedness then to be issued does not exceed 20% of Total Operating Revenues as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.25; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in paragraph (a) above, excluding the proposed Long-Term Indebtedness, is at least 1.25 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, the full Fiscal Year succeeding the date on which such Capital Additions are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, the full Fiscal Year succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; *provided, however,* that compliance with the tests set forth in this paragraph may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in the second clause of this subparagraph is equal to or greater than 1.50; *provided, however,* that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage

requirements of this subparagraph to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 10%.

(c) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this paragraph, a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this paragraph, Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in paragraph (f) below.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in paragraph (g) below; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in paragraph (c) above.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the



Master Trustee in connection with the issuance of the Indebtedness (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to any one of subparagraphs (a)(i) or (a)(ii) above may be reclassified as Indebtedness incurred pursuant to any other of such subparagraphs if the tests set forth in the subparagraph to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this section.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance with the Master Indenture in an aggregate amount not exceeding 50% of the three month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with generally accepted accounting principles. If the Long-Term Debt Service Coverage Ratio is 2.00 or greater, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three month average shall be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered.

3.07 Long-Term Debt Service Coverage Ratio. (a) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such prior Fiscal Year; *provided, however*, that in any case where Long-Term Indebtedness has been incurred to acquire or construct a Capital Addition, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such Capital Addition unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by paragraph (a) above, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Audited Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within forty-five (45) days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by such Governmental Restrictions, this section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below

the required level; *provided, however*, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this paragraph more frequently than biennially.

3.08 Sale, Lease or Other Disposition of Property; Disposition of Cash and Investments, Unsecured Loans to Non-Members; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not Transfer Property, other than in the ordinary course of business, in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Obligated Group is in compliance with section 3.07 above and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this paragraph in the current Fiscal Year does not exceed 5% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year; provided, however, that transfers to the Affiliated School shall be excluded for the purposes of calculating the amount as transferred.

(v) To any Person if the Property Transferred pursuant to this paragraph was transferred at fair market value; *provided further, however*, that with respect to transfers of real property, fair market value shall be based on a written appraisal prepared by an appraiser with experience in valuing similar assets.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(vii) To any S/L Counterparty in connection with a Permitted Sale Leaseback as set forth in the Master Indenture.

(viii) To any Partial Release Sale Counterparty in connection with a Permitted Partial Release Sale as set forth in the Master Indenture

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services

or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in paragraph (g) of section 3.06 above regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained in this section is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

(d) No Member of the Obligated Group shall make any Transfer pursuant to this section of Property financed with the proceeds of Related Bonds that are exempt from federal income taxation without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the proposed Transfer would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

3.09 Consolidation; Merger; Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement to the Master Indenture; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen calendar

months prior to the date of the Officer's Certificate), the conditions described in the Master Indenture would have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, (C) the unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements, and (D) that after such merger or consolidation or sale or conveyance of assets, no Member of the Obligated Group will be in default in the performance of any covenant contained in the Master Indenture.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall comply with the requirements of the Master Indenture and shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) above has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this section and that it is proper for the Master Trustee under the Master Indenture to join in the execution of any instrument required to be executed and delivered by this section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group in accordance with the provisions of this section shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of the Master Indenture immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references in the Master Indenture to successor corporations shall be deemed to include the surviving corporation in a merger.

3.10 Filing of Audited Financial Statements; Certificate of No Default; Other Information.  
The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master

Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

3.11 Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Indenture and any Supplements and thereby become subject to compliance with all provisions of the Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) and unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with paragraph (a) above, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles, laws dealing with fraudulent conveyances, limitations on the ability of one charity to make guarantees in favor of other entities, and subject to other customary exceptions acceptable to the Master Trustee and that the obligations of such Person or successor corporation created thereunder include the requirements described in paragraph (a) above.

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group including such Person is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, (ii) the conditions described in the Master Indenture have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate) and (iii) after giving effect to the admission of such Person as a Member of the Obligated Group, no Member of the Obligated Group will be in default in the performance of any covenant contained in the Master Indenture.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group (other than the Affiliated School) shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, if such Indebtedness could have been incurred pursuant to the provisions of the Master Indenture immediately after such Person became a Member of the Obligated Group. Any Indebtedness incurred by the Affiliated School prior to becoming a Member of the Obligated Group pursuant to paragraph (g) below shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of the Master Indenture immediately after the Affiliated School became a Member of the Obligated Group.

(f) Each new Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by such Member at the time of its admission to the Obligated Group, subject to any liens or security interests permitted to remain outstanding under the Master Indenture. Notwithstanding the foregoing, the Affiliated School shall not be required to grant a Mortgage on any of its facilities in connection with the admission of the Affiliated School as a Member of the Obligated Group.

(g) Notwithstanding anything to the contrary in the Master Indenture, the Affiliated School may become a Member of the Obligated Group, without regard to the fact that the Affiliated School is not separately incorporated, if:

(1) The Affiliated School delivers the instrument referred to in the Master Indenture with respect to the assets and revenues only of the Affiliated School (and without recourse to any other assets or revenues of New York University);

(2) The Affiliated School complies with the provisions of paragraph (b) above provided that such opinion may be further qualified by reference to the fact that the obligation of the Affiliated School is non-recourse to the other assets and revenues of New York University;

(3) The Affiliated School complies with the provisions of paragraph (c) above; and

(4) The provisions of subparagraph (d)(i) above are satisfied.

In the event that the Affiliated School becomes a Member of the Obligated Group, all references in the Master Indenture to “Persons” or “corporations” shall be deemed satisfied with respect to the Affiliated School despite the fact that it is not separately incorporated so long as the Affiliated School produces annual financial statements (which may be in the form of consolidating schedules or otherwise) separately from the other assets and revenues of New York University.

3.12 Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member’s withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) The Obligated Group shall have provided one of the following:

(A) An Officer’s Certificate of the Obligated Group Representative demonstrating that assuming such withdrawal and any payments or extinguishment of Obligations to be made in connection therewith had occurred at the beginning of the calculation periods described below:

(1) the Long-Term Debt Service Coverage Ratio of the remaining Members for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period into account is not less than 1.25; and

(2) either:

(w) the Long-Term Debt Service Coverage Ratio for the remaining Members for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available would not, if such withdrawal had occurred at the beginning of such period, be less than 1.50; or

(x) after giving effect to the withdrawal of such Member of the Obligated Group and any payment or extinguishment of Obligations to be made in connection therewith, the Ratio of Long-Term Indebtedness to Capital (where Capital is the total of unrestricted net

assets, plus temporarily restricted net assets, plus Long-Term Indebtedness) of the remaining Members of the Obligated Group as of the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available is not greater than it would have been had the withdrawal not occurred; or

(y) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group would not be less than 60% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or

(z) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; *provided, however*, that compliance with the test set forth in this clause (z) may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.50; or

(B) receipt by the Trustee of a Credit Enhancement, including evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed withdrawal is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than "AA" (or the corresponding rating) by any rating agency.

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee, each Credit Facility Issuer and (to the extent any Related Bonds of the Authority remain Outstanding), to the Authority to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Indenture and any agreements or other documents relating to the Master Indenture, the Obligations or the Related Bonds.

(iv) an Officer's Certificate of the Obligated Group Representative certifying that upon such withdrawal the remaining Members of the Obligated Group will not be in default in the performance of any covenant contained in the Master Indenture.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to paragraph (a) above, any guaranty by such Member pursuant to the Master Indenture shall be released and discharged in full, the Master Trustee shall release or consent to the release of all collateral of such withdrawing Member held by or for the benefit of the Obligation Holders, and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

"Credit Enhancement" means credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding (or which allows for the tender of the Related Bonds or Obligation, prior to the stated expiration of the Credit Enhancement) and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee



for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart. "Credit Enhancement" shall also include FHA insurance of the underlying mortgage note if such mortgage note is security for the Related Bonds or Obligation.

3.13 Medicaid Account. Commencing on the date of issuance of the initial Obligations under the Master Indenture, each Member of the Obligated Group which is reimbursed as a health care provider pursuant to the Medicaid program shall establish with the Master Trustee, as depository, an account designated the "Medicaid Revenue Account." Each such Member shall cause there to be deposited in such Medicaid Revenue Account all Medicaid reimbursement whether received directly or as a payment from a health maintenance or other third-party organization and all reimbursement received with respect to any successor program to Medicaid the purpose of which is to provide substantially similar reimbursement coverage. Each such Member of the Obligated Group agrees that it will not establish any other account to receive such funds. The Obligated Group Representative shall provide the Master Trustee, prior to January 1 of each year and upon the issuance of any additional Obligations, a schedule which shall set forth by month the estimated debt service payable on all Obligations outstanding under the Master Indenture (the "Monthly Requirement"). Such schedule, unless otherwise provided in such Supplemental Obligation shall assume that (a) any principal payment due on an Obligation shall be amortized in twelve equal monthly installments; and (b) any variable rate interest Obligation shall bear interest at the maximum rate established for the prior twelve month period.

Beginning on the first day of each month, the Master Trustee shall retain all monies in the Medicaid Revenue Accounts until the aggregate amount on deposit in all such Medicaid Revenue Accounts shall equal the Monthly Requirement for such month and transfer all funds in excess of the Monthly Requirement to the general funds of the Members of the Obligated Group. The Master Trustee shall then transfer the appropriate amount to the Holder of each Obligation in satisfaction of the payment requirement on any such Obligation then due. Notwithstanding the foregoing, in the event the Master Trustee shall receive notice of the occurrence of any Event of Default summarized under paragraphs (a), (d), (e) or (f) of section 4.01 below, all monies deposited to the Medicaid Revenue Accounts shall be transferred to the Gross Receipts Revenue Fund established under the Master Indenture,

3.14 Permitted Sale Leaseback and Partial Release Sale.

(a) The Members of the Obligated Group may, from time to time, enter into one or more sale leaseback transactions (each, a "Permitted Sale Leaseback") pursuant to which (i) there is a Transfer of fee, leasehold or other interests in real estate (the "S/L Parcel"), which may include a portion(s) of the Mortgaged Property, to a third party (an "S/L Counterparty"), (ii) the net proceeds received by the Members of the Obligated Group from such Transfer are applied to the construction and development of the S/L Parcel, (iii) the S/L Counterparty leases the S/L Parcel to the Member of the Obligated Group or their Affiliates pursuant to a lease and related documentation that may provide for the construction and development of improvements on the S/L Parcel, (iv) after consummation of the sale leaseback, the Mortgaged Property and the S/L Parcel will comply in all material ways with Governmental Restrictions including material zoning and land use requirements, (v) other than insurance proceeds and condemnation awards relating to the S/L Parcel or any improvements thereon, any receipts, revenues, income and other moneys received by or on behalf of a Member of the Obligated Group in connection with the use, ownership or interest in the S/L Parcel or the improvements thereon will remain subject to the Master Trustee's security interest in Gross Receipts.

Prior to entering into a Permitted Sale Leaseback, the Obligated Group Representative will deliver to the Master Trustee an Officer's Certificate (the "S/L Certificate") that describes the Permitted

Sale Leaseback in reasonable detail and certifies that the conditions set forth in clauses (i) through (v) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, ground leases and consents) that are reasonably required to effectuate a Permitted Sale Leaseback (the “S/L Master Trustee Documents”), provided that the Master Trustee has previously received an S/L Certificate and a written, reasonably detailed request for execution and delivery of the S/L Master Trustee Documents from the Obligated Group Representative.

(b) The Members of the Obligated Group may, from time to time, enter into one or more real estate transactions (each, a “Permitted Partial Release Sale”) pursuant to which (i) there is a sale of fee interests in real estate (the “Partial Release Parcel”), which may include a portion(s) of the Mortgaged Property, to a third party (a “Partial Release Sale Counterparty”); (ii) the sale of the Partial Release Parcel does not materially detract from the utility of the Health Care Facilities; (iii) the Partial Release Parcel is sold for fair market value as evidenced by a written appraisal prepared by an independent appraiser with experience in valuing similar assets; (iv) the net proceeds received by the Members of the Obligated Group from the Permitted Partial Release Sale will be applied to the operation, maintenance or improvement of the Mortgaged Property or to prepayment of the Obligations then outstanding, pro rata based on the Outstanding principal amount thereof or as otherwise required pursuant to the Opinion of Counsel referred to in paragraph (c) below.

Prior to entering into a Permitted Partial Release Sale, the Obligated Group Representative will deliver to the Master Trustee an Officer’s Certificate (the “Partial Release Sale Certificate”) that describes the Permitted Partial Release Sale in reasonable detail and certifies that the conditions set forth in clauses (i) through (iv) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, and consents) that are reasonably required to effectuate a Permitted Partial Release Sale (the “Partial Release Sale Master Trustee Documents”), provided that the Master Trustee has received a Partial Release Sale Certificate and a written, reasonably detailed request for execution and delivery of the Partial Release Sale Master Trustee Documents from the Obligated Group Representative.

(c) No Member of the Obligated Group shall enter into a Permitted Sale Leaseback or a Permitted Partial Release Sale pursuant to this section without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee and the Related Bond Issuer, to the effect that the proposed transaction would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

3.15 Permitted Release of Mortgaged Property. Notwithstanding anything in the Master Indenture to the contrary, and without limiting any other provision of the Mortgages, there is reserved to the Members of the Obligated Group, subject to fulfillment of the conditions contained in the second sentence of this paragraph (to the extent applicable), the right to obtain from the Mortgagee a release from the lien of the Mortgages of (i) any building, together with the land underlying such building, and any Condominium units or portions thereof contained within such building and the common elements appurtenant to such Condominium units (individually or collectively, a “Release Building”), and/or (ii) one or more Condominium unit(s), together with the common elements appurtenant to such units (individually or collectively, a “Release Unit”), in either case comprising part of the Mortgaged Property and as to which no more than 25% of the aggregate usable square footage within such Release Building or Release Unit, as applicable (excluding from such measurement of aggregate square footage any land

underlying a Release Building and any common elements appurtenant to a Release Unit), is used for clinical purposes (a Release Building or Release Unit meeting the aforementioned 25% test shall be referred to as a “Qualifying Release Parcel”). A Qualifying Release Parcel shall be released from the lien of the Mortgages provided that (a) the Authority provides prior written consent to such release (to the extent such consent is required by the Master Indenture), (b) the land and improvements that will remain a part of the Mortgaged Property after the release of the Qualifying Release Parcel (the “Remaining Parcel”) contain one or more buildings that are subject to licensure by the New York State Department of Health as an acute care hospital, and (c) if the Members of the Obligated Group determine that the Qualifying Release Parcel should be removed from the Condominium in connection with such release, upon satisfaction of the following conditions: (1) if the Qualifying Release Parcel is a Release Building (x) the land underlying the Release Building has its own separate legal description derived from a current land survey, and (y) the Remaining Parcel complies with applicable zoning and land use requirements as set forth in a zoning title insurance endorsement, municipality-issued zoning letter, or zoning opinion of an architect or attorney (as selected by the Obligated Group), subject to customary exceptions and in such form as is reasonably acceptable to the Master Trustee, (2) the Qualifying Release Parcel will, upon the recordation of the release documentation referred to in the last sentence of this paragraph, constitute a separate tax parcel or parcels; and (3) contemporaneously with the release of any Release Unit or Release Building containing one or more Condominium units, the Declaration and By-Laws of the Condominium will be amended to delete the Qualifying Release Parcel from the Condominium, and the Qualifying Release Parcel will be conveyed to NYUHC by deed. Such release will be effective as to all Obligations Outstanding under the Master Indenture. Upon receipt of (a) the Authority’s written consent, if required by the Master Indenture, and (b) a certification executed by the Members of the Obligated Group that the foregoing requirements (as applicable) have been satisfied (or will be satisfied as provided above following delivery of the release), the Master Trustee shall execute and deliver a partial release from the lien of the Mortgages (in recordable form) with respect to the Qualifying Release Parcel.

#### IV DEFAULT AND REMEDIES

4.01 Events of Default. Event of Default, as used in the Master Indenture, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest or other amounts on any Obligations issued and Outstanding under the Master Indenture within three (3) days of when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement, unless otherwise indicated in the applicable Obligation;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; *provided, however*, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued under the Master Indenture;

(d) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or

(ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

4.02 Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of the Master Indenture to the contrary

notwithstanding. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to the Master Indenture, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

4.03 Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) Bring suit upon all or any part of the Obligations;
- (iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;
- (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;
- (v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;
- (vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and
- (vii) Enforcement of any other right of the Holders conferred by law or by the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default summarized in paragraphs (a), (d), (e) or (f) of section 4.01 above, the Master Trustee shall, and upon the occurrence of any other Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Revenue Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by the Master Indenture and any Supplement to the Master Indenture. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund shall be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

4.04 Application of Moneys after Default. During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to the

Master Indenture, in accordance with the provisions of the Master Indenture and, with respect to the payment of Obligations thereunder, as follows:

(a) Unless all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations or regularly scheduled payments on an Obligation issued in connection with a Derivative Agreement (“Regularly Scheduled Swap Payments”) in the order of the maturity of such installments or payments, and, if the amount available shall not be sufficient to pay in full all installments or payments due on any date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations or payments on an Obligation issued in connection with a Derivative Agreement other than Regularly Scheduled Swap Payments (“Other Swap Payments”) which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

Fourth: To the payment of all other Outstanding Obligations (including without limitation Obligations securing Derivative Agreements) ratably, according to the amounts due thereunder without any discrimination or preference.

(b) If all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable, to the payment of all amounts then due and unpaid upon Obligations without preference or priority of principal or Other Swap Payments over interest or Regularly Scheduled Swap Payments, or of interest or Regularly Scheduled Swap Payments over principal or Other Swap Payments, or of any installment of interest or payment of Regularly Scheduled Swap Payment over any other installment of interest or payment of Regularly Scheduled Swap Payments, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, interest, and all amounts due under any Derivative Agreement, to the Persons entitled thereto without any discrimination or preference.

(c) If all amounts due with respect to all Outstanding Obligations 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) above in the event that all amounts due with respect to all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

The Master 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 Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund shall be invested in Government Obligations which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in the Master Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund shall be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

4.05 Remedies Not Exclusive. No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture.

4.06 Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders.

4.07 Holdings' Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this section shall impair the right of the Master Trustee in its discretion to take any other action under the



Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in this section.

4.08 Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

4.09 Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in paragraph (b) of section 4.02 above, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

4.10 Appointment of Receiver. Upon the occurrence of any Event of Default summarized in paragraphs (a), (d), (e) and (f) of section 4.01 above, unless the same shall have been waived as provided in the Master Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of

and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

4.11 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Master Indenture invalid or unenforceable under the provisions of any applicable law.

4.12 Notice of Default. The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to S&P and all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or premium, if any, or interest on any of the Obligations and the Events of Default summarized in paragraphs (e) and (f) of section 4.01 above, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

## **V THE MASTER TRUSTEE**

5.03 Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created by the Master Indenture. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Indenture shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an

instrument in writing, accepting such appointment under the Master Indenture, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties under the Master Indenture, shall mail a notice of such assumption to each registered Holder.

## VI SUPPLEMENTS AND AMENDMENTS

6.01 Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Master Indenture,
- (b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of the Master Indenture.
- (d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Indebtedness as permitted under the Master Indenture, so long as no Event of Default has occurred and is continuing under the Master Trust Indenture.
- (f) To obligate a successor to any Member of the Obligated Group as provided in the Master Indenture.
- (g) To comply with the provisions of any federal or state securities law.
- (h) So long as no Event of Default has occurred and is continuing under the Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Indenture has occurred and is continuing, to make any change to the provisions of the Master Indenture if the following conditions are met:
  - (i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect (i) evidence satisfactory to the Master Trustee to the effect that there exists for each Related Bond or Obligation, Credit Enhancement (as defined in

the Master Indenture) and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and

(ii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

(i) To make any changes relating (1) to the application of GAAP or the definition or determination of Book Value, Indebtedness (which for the avoidance of doubt includes all definitions incorporating the definition of Indebtedness, including, without limitation, Long-Term Debt Service Requirement, Balloon Long-Term Indebtedness, Long-Term Indebtedness and Short-Term Indebtedness), or Income Available for Debt Service, or (2) to the provisions of Article III hereof, in each case, that are necessary to address a change in GAAP that solely in and of itself would cause any Member of the Obligated Group to be in default of any of the covenants set forth in Article III or to provide for similar financial and economic measures of the performance of the Members of the Obligated Group.

6.02 Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in the Master Indenture and subject to the terms and provisions and limitations contained in this Article, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, with the consent of each Credit Facility Issuer, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, nothing in this section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in the Master Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group

following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in paragraph (a) above for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as provided in the Master Indenture, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

## **VII SATISFACTION AND DISCHARGE OF INDENTURE**

7.01 Satisfaction and Discharge of Indenture. If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Members of the Obligated Group or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Obligations.

## **VIII CONCERNING THE HOLDERS**

8.01 Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders of any Obligation securing an issue of Related Bonds, the registered owners of such Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of such series of Related Bonds then outstanding held by each such owner of Related

Bonds bears to the aggregate principal amount of all Related Bonds of such series then outstanding; provided however that if any portion of such Related Bonds is secured by a Credit Facility that is also secured by a separate Obligation issued under the Master Indenture, the principal amount of the Obligation that secures the Related Bonds deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Bonds that are secured by such Credit Facility for the purpose of any such request, direction or consent and the Holders of the Related Bonds that are secured by such Credit Facility shall not be consulted or counted.

(b) As to any request, direction, consent or other instrument provided by the Master Indenture to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes of the Master Indenture and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this section shall be construed as limiting the Master Trustee to the proof specified in the Master Indenture, it being intended that the Master Trustee may accept any other evidence of the matters in the Master Indenture stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision of the Master Indenture upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent, the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation.

**Appendix E-2**

**Summary of Certain Provisions of the  
Supplemental Master Indenture**

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## Appendix E-2

### Summary of Certain Provisions of the Supplemental Indenture

#### Mortgages

To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, the Member of the Obligated Group has granted Mortgages to the Authority, which Mortgages the Authority has assigned to the Master Trustee, and has granted Mortgages to the Master Trustee. Such Mortgages shall secure the Related Obligation.

*(Section 3)*

#### Quarterly Disclosure Obligations

(a) NYUHC shall provide, quarterly, an electronic copy of the Quarterly Report (as described below) to the Disclosure Dissemination Agent (as defined in the Agreement to Provide Continuing Disclosure by and among NYUHC, the Bond Trustee, the Authority and Digital Assurance Certification, LLC), together with a copy each for the Authority and the Bond Trustee, not later than 60 days after the end of each of the first, second and third fiscal quarters (i.e., the fiscal quarters ending November 30, February 28 and May 31) and 90 days after the end of the fourth fiscal quarter (i.e., the fiscal quarter ending August 31) (collectively, the "Quarterly Report Filing Deadline"). Within a timely manner following receipt of an electronic copy of the Quarterly Report, the Disclosure Dissemination Agent shall provide the Quarterly Report to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures.

(b) Each Quarterly Report shall contain (A) the unaudited consolidated financial statements of the Obligated Group, consisting of the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows, but excluding footnotes, (B) utilization statistics of NYUHC for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable), and (C) discharges of NYUHC and any other Member of the Obligated Group by major payor mix for such quarter.

(c) In the event of a failure of NYUHC or the Disclosure Dissemination Agent to comply with any provision of this Section, the Holders' rights to enforce the provisions of this Section shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Section; and provided further that any challenge to the adequacy of the information provided in accordance with this Section shall be brought only by the Bond Trustee on behalf of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding. Any failure by a party to perform in accordance with this Section shall not constitute a default on the Bonds, the Loan Agreement, the Master Indenture or the Related Bond Indenture or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

(d) In the event of any change in the fiscal year of NYUHC, all quarterly reports required under this Section shall be adjusted to refer to the fiscal quarters of such changed fiscal year.

*(Section 15)*

In addition to the foregoing, certain financial and reporting covenants are made solely for the benefit of the Authority (and may be waived in the sole discretion of the Authority). These supplemental covenants may not be enforced or relied upon by the Master Trustee, the Bond Trustee, or the beneficial holders of the Series 2014 Bonds.

**Appendix F**

**Proposed Form of Approving Opinion  
of Bond Counsel**

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**Appendix F****Proposed Form of Approving Opinion of Bond Counsel**

December 17, 2014

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

Re: \$77,700,000 Dormitory Authority of the State of  
New York NYU Hospitals Center Revenue Bonds, Series 2014

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with its issuance of \$77,700,000 aggregate principal amount of NYU Hospitals Center Revenue Bonds, Series 2014 (the “Series 2014 Bonds”), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and Part B of the Authority’s Amended and Restated NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted pursuant to a Supplemental Resolution, adopted on June 28, 2006, which amended and restated the Authority’s Mount Sinai NYU Health Obligated Group Revenue Bond Resolution, adopted April 5, 2000 (the “Resolution”) and the Series 2014 Resolution Authorizing NYU Hospitals Center Revenue Bonds, Series 2014, adopted November 12, 2014 (the “Series 2014 Resolution”). The Resolution and the Series 2014 Resolution are herein collectively referred to as the “Resolutions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Amended and Restated Loan Agreement with NYU Hospitals Center (“NYUHC”), dated as of June 28, 2006, as supplemented by Supplement No. 1 to the Amended and Restated Loan Agreement, dated as of November 29, 2006, Supplement No. 2 to the Amended and Restated Loan Agreement, dated as of October 31, 2007, Supplement No. 3 to the Amended and Restated Loan Agreement, dated as of December 8, 2010 and Supplement No. 4 to the Amended and Restated Loan Agreement, dated as of November 12, 2014 (collectively, the “Loan Agreement”), providing, among other things, for a loan to NYUHC for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, NYUHC is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2014 Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2014 Bonds.

The Series 2014 Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Loan Agreement. In addition, the Series 2014 Bonds are secured by payments to be made by NYUHC on an Obligation representing the amendment of a prior Obligation of NYUHC (the “Series 2014 Obligation”) to be secured under the Amended and Restated Master Trust Indenture, dated as of November 25, 2014 (the “Master Trust Indenture”), between NYUHC and The Bank of New York Mellon (the “Master Trustee”), as such Master Trust Indenture is supplemented (as supplemented, the “Master Indenture”). The Series 2014 Obligation is being delivered to the Authority as evidence of NYUHC’s obligation to repay the proceeds of the Series 2014 Bonds and is assigned by the Authority to the Trustee as security for the payment of the Series 2014 Bonds.

Interest on the Series 2014 Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2015. The Series 2014 Bonds are to mature on the dates and in the years and amounts set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2014 Bonds.

The Series 2014 Bonds are to be issued in fully registered form in the denominations of \$100,000 at maturity or any integral multiple of \$5,000 in excess thereof. The Series 2014 Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions and the Bond Series Certificate.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Series 2014 Obligation, the Master Indenture, the Tax Certificate and Agreement dated as of the date hereof (the “Tax Certificate”) between the Authority and NYUHC, opinions of counsel to the Authority, the Trustee and NYUHC, certificates of the Authority, the Trustee, NYUHC, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

In addition, we have relied, among other things, on both (A) the opinion of General Counsel of NYUHC/Senior Counsel of the School of Medicine of New York University regarding (i) the current qualification of NYUHC as an organization described in Section 501(c)(3) of the Code, (ii) the intended operation of the facilities to be refinanced by the Series 2014 Bonds as substantially related to NYUHC’s charitable purpose under Section 513(a) of the Code, and (iii) New York University’s use through its School of Medicine of the facilities to be refinanced by the Series 2014 Bonds as substantially related to New York University’s charitable purpose under Section 513(a) of the Code, and (B) the opinion of General Counsel of New York University regarding the current qualification of New York University as an organization described in Section 501(c)(3) of the Code. We note that such opinions are subject to a number of qualifications and limitations. Failure of NYUHC or New York University to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its respective status as an organization described in Section 501(c)(3) of the Code, or use of the bond financed facilities in activities that are considered unrelated trade or business activities of NYUHC or New York University within the meaning of Section 513 of the Code, may result in interest on Series 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2014 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or

any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2014 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2014 Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2014 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created, is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York and is duly authorized and entitled to issue the Series 2014 Bonds.
2. The Series 2014 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.
3. The Resolutions are in full force and effect, have been duly and lawfully adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge and a valid lien, to secure the payment of the principal of and interest on the Series 2014 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2014 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by NYUHC, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. Interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



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