NEW ISSUE – BOOK ENTRY ONLY

Ratings:
See "RATINGS" herein.

$157,270,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER REVENUE BONDS,
SERIES 2016A

Dated: Date of Delivery **Due: July 1, as shown below**

Payment and Security: The NYU Hospitals Center Revenue Bonds, Series 2016A (the "Series 2016A 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 Supplement No. 5 to the Amended and Restated Loan Agreement, dated as of April 13, 2016, in each case between DASNY and NYU Hospitals Center ("NYUHC" or the "Institution"), (ii) the hereinafter defined Series 2016A 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 2016A Resolution, adopted by the Authority on April 13, 2016 (the "Series 2016A Resolution").

Payment of the principal of and interest on the Series 2016A Bonds, when due, is secured by payments to be made pursuant to Obligation No. 15 (the "Series 2016A 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 2016A 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 2016A Bonds, as such payments shall become due, and to make payments due under the Series 2016A Obligation.

The Series 2016A 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 2016A Bonds will be issued as fully registered bonds in denominations of $5,000 and any integral multiples thereof. Interest on the Series 2016A Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2017, 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 2016A BONDS" herein.

The Series 2016A 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 2016A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2016A Bonds, payments of the principal and Redemption Price of and interest on such Series 2016A 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 2016A BONDS - Book-Entry Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A Bonds. See "PART 12 – TAX MATTERS" herein.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Maturity July 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]	Maturity July 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]
2017	$ 7,200,000	5.000%	0.730%	64990BR96	2027	$4,335,000	5.000%	2.170%*	64990BT37
2018	7,500,000	3.000	0.860	64990BS20	2028	4,555,000	5.000	2.290*	64990BT45
2019	8,000,000	4.000	0.960	64990BS38	2029	4,785,000	5.000	2.370*	64990BT52
2020	8,000,000	5.000	1.070	64990BS46	2030	5,020,000	5.000	2.390*	64990BT60
2021	4,840,000	3.000	1.250	64990BS53	2031	5,270,000	2.875	2.900	64990BT78
2022	4,985,000	4.000	1.370	64990BS61	2032	5,425,000	5.000	2.510*	64990BT86
2023	12,260,000	5.000	1.530	64990BS79	2033	4,490,000	5.000	2.520*	64990BT94
2024	12,725,000	5.000	1.720	64990BS87	2034	4,720,000	2.750	2.930	64990BU27
2025	13,240,000	5.000	1.860	64990BS95	2035	4,845,000	2.750	2.940	64990BU35
2026	8,300,000	5.000	2.010	64990BT29	2036	4,985,000	3.000	3.070	64990BU43

$21,790,000 4.00% Term Bonds Due July 1, 2040, Yield 3.040%*, CUSIP[1] 64990BU50

The Series 2016A Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2016A 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 2016A Bonds to be delivered in definitive form in New York, New York on or about May 26, 2016.

J.P. Morgan **BofA Merrill Lynch** **Wells Fargo Securities**

May 12, 2016

1 See CUSIP footnote on inside cover.
* Yield to the first optional redemption date of July 1, 2026.

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 2016A 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 2016A 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 – Purpose of the Issue," "PART 1 – INTRODUCTION – The Series 2016A Bonds," "PART 1 – INTRODUCTION – NYU Hospitals Center," "PART 1 – INTRODUCTION – Payment of the Bonds," "PART 1 – INTRODUCTION – Security for the Bonds," "PART 1 – INTRODUCTION – The Mortgages," "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS," "PART 3 – THE SERIES 2016A BONDS" (except with respect to the Book-Entry Only System), "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 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY," "PART 12 – TAX MATTERS" (with respect to underlying factual matters set forth therein), "PART 18 – CONTINUING DISCLOSURE," "Appendix B-1 – NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014," "Appendix B-2 – Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report," "Appendix B-3 – NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015" and "Appendix G – Proposed Form of Continuing Disclosure Agreement" (only insofar as the Continuing Disclosure Agreement relates to the obligations of the Institution). The Institution shall certify as of the dates of offering and delivery of the Series 2016A 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 2016A Resolution, the Loan Agreement, the Mortgages (as defined herein), the Master Indenture and the Series 2016A Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture and the Series 2016A Obligation for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture and the Series 2016A 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 2016A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016A 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 INSTITUTION'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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[1] 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 2016A Bonds only at the time of issuance of the Series 2016A 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 2016A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016A 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 2016A 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 2016A Bonds.

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DORMITORY AUTHORITY - STATE OF NEW YORK
GERRARD P. BUSHELL - PRESIDENT

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

OFFICIAL STATEMENT RELATING TO

$157,270,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER
REVENUE BONDS, SERIES 2016A

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 $157,270,000 aggregate principal amount of its NYU Hospitals Center Revenue Bonds, Series 2016A, dated their date of delivery (the "Series 2016A Bonds").

The following is a brief description of certain information concerning the Series 2016A Bonds, DASNY and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016A 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 2016A Bonds will be loaned by the Authority to NYUHC and, together with other available funds, will be used (i) to currently refund all of the outstanding DASNY NYU Hospitals Center Revenue Bonds, Series 2006A (the "Series 2006A Bonds"); (ii) to advance refund a portion of the DASNY NYU Hospitals Center Revenue Bonds, Series 2011A (the "Series 2011A Bonds") in the amount of $102,645,000 and listed under "PART 4 – PLAN OF REFUNDING" (the "Refunded Series 2011A Bonds" and collectively with the Series 2006A Bonds, the "Refunded Bonds") and (iii) to pay certain Costs of Issuance of the Series 2016A Bonds. See "PART 4 – PLAN OF REFUNDING" and "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2016A 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 2016A Resolution adopted by the Authority on April 13, 2016 (the "Series 2016A Resolution") and the Act.

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 2016A Bonds, other Bonds previously issued under the Resolution (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 2016A BONDS." For a description of long-term debt of NYUHC, see "Appendix B-1 – NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014," "Appendix B-2 – Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report" and "Appendix B-3 – NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015."

Payment of the principal of and interest on the Series 2016A Bonds are secured pursuant to Obligation No. 15 (the "Series 2016A Obligation") issued 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"), which Series 2016A Obligation amends and restates the Series 2006A Obligation and the Series 2011A Obligation relating to the Refunded Bonds. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Security for the Bonds – The Series 2016A Obligation."

The proceeds of the Series 2016A 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 Supplement No. 5 to the Amended and Restated Loan Agreement, dated as of April 13, 2016, 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 2016A Bonds

The Series 2016A 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 2016A Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2017. See "PART 3 – THE SERIES 2016A BONDS – Description of the Series 2016A 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 with campuses located in mid-town Manhattan and Brooklyn. 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. In January 2016, NYU Lutheran Medical Center (formerly known as Lutheran Medical Center) ("NYU Lutheran") merged into NYUHC. 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 2016A 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 2016A 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," "Appendix B-1 – NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014," "Appendix B-2 – Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report" and "Appendix B-3 – NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015," each of which should be read in their entirety. "Appendix B-1" 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 2016A OBLIGATION OR THE SERIES 2016A BONDS.**

Payment of the Bonds

The Series of Bonds heretofore and hereafter issued under the Resolution, including the Series 2016A 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 2016A Bonds are general obligations of the Institution secured by the Series 2016A Obligation issued under the Master Indenture. The Series 2016A 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, including Obligations issued in connection with the Prior Bonds, consisting of the Authority's NYU Hospitals Center Revenue Bonds, Series 2006A, Series 2011A, Series 2014 and Series 2014 (Dated January 2015), 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"). The Series 2016A Obligation will also be secured by a mortgage lien (as more fully described herein) on certain of the Institution's hospital facilities, including portions of NYUHC's campus and certain other clinical facilities in Manhattan. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Payment of the Series 2016A 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." DASNY and the Institution expect the proceeds of the Series 2016A Bonds to be used to refund all of the Refunded Bonds. See "PART 4 – PLAN OF REFUNDING."

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 certain separate Series of Prior Bonds. **No Debt Service Reserve Fund will be funded for the Series 2016A Bonds**. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Security for the Series 2016A Bonds" and "– Obligations under the Master Indenture – The Mortgages," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture."

In addition, payment when due on the Series 2016A Bonds and payment under the Loan Agreement are secured by the Series 2016A 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 2016A 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 2016A Obligation is secured by a security interest in the Gross Receipts of NYUHC and any future Member of the Obligated Group and by the mortgages on the Mortgaged Property. 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 2016A 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 2016A BONDS - Obligations under the Master Indenture," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments," 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 2016A Obligation and all other Obligations outstanding under the Master Indenture, including the Parity Obligations, with respect to the Gross Receipts and the mortgages on the Mortgaged Property. See "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments." Such other Indebtedness, if not so evidenced by an Obligation issued under the Master 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 2016A BONDS – Obligations under the Master Indenture," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments," 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 2016A Bonds, see "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Security for the Series 2016A Bonds."

The Series 2016A Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Mortgages

All Obligations under the Master Indenture, including the Series 2016A Obligation, are secured by mortgages (the "Mortgages") granted or assigned to the Master Trustee on certain healthcare facilities of the Institution which include portions of the Tisch Hospital located at 550 First Avenue in Manhattan (the "Tisch Hospital"), the campus of the former Hospital for Joint Diseases (the "HJD Campus" and collectively with the Tisch Hospital, the "Manhattan Campus"), the Cancer Center, the Kimmel Pavilion and the Energy Building (collectively, the "Mortgaged Property"). The Mortgages also contain a security interest in certain fixtures, furnishings and equipment located thereon. The Mortgages include, without limitation, a consolidated, amended and restated mortgage on the Manhattan Campus granted in connection with the Obligation securing the Series 2006A Bonds that replaced prior mortgages. The Mortgaged Property does not include the Brooklyn Campus (as defined in "PART 7 – NYU HOSPITALS CENTER"), including NYU Lutheran.

Upon the issuance of the Series 2016A Bonds, the Mortgages granted in connection with the Obligations securing the Refunded Bonds will be amended to also secure the Series 2016A Obligation.

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.

For further information about the Mortgages, see "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Obligations under the Master Indenture – The Mortgages" and "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments." For further information about the Mortgaged Property, see "PART 7 – NYU HOSPITALS CENTER."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2016A 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 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture, the Supplemental Indenture and the Series 2016A Obligation. Copies of the Act, the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture, the Supplemental Indenture and the Series 2016A 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 and Proposed Amendments" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2016A Bonds

The Series 2016A 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 2016A Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2016A 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 2016A Obligation to be issued with respect to the Series 2016A Bonds on account of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2016A Bonds. The Revenues have been assigned by the Authority to the Trustee for the benefit of the holders of the Series 2016A Bonds.

The Institution's obligations under the Loan Agreement and under the Series 2016A 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 2016A Obligation issued with respect to the Series 2016A 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 2016A Bonds as they become due, and to make any payments due under the Series 2016A 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 2016A BONDS – Redemption and Purchase in Lieu of Redemption Provisions."

Security for the Series 2016A Bonds

The Series 2016A 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 2016A Series Resolution (with the exception of the Arbitrage Rebate Fund), and payments to be made by the Obligated Group under the Series 2016A Obligation. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by Series 2016A Resolution secure only the Series 2016A 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 2016A Obligation

Payment of the principal of, redemption price of or purchase price in lieu of redemption and interest on the Series 2016A 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 2016A Obligation.

The Series 2016A Obligation will be issued to the Authority, which will assign all payments under the Series 2016A Obligation to the Trustee for the benefit of the Bondholders. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A 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 2016A 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 2016A Bond; (ii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2016A Bonds or in the Resolution or in the Series 2016A 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 2016A 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 2016A 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 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 2016A Bonds, by written notice to the Authority, declare the principal of and interest on the Series 2016A 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 2016A 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 2016A 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 2016A Bonds.

Additional Bonds

In addition to the Series 2016A 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 2016A Bonds will be payable from moneys paid by the Institution and any other future Members of the Obligated Group pursuant to the Series 2016A Obligation. The Series 2016A Obligation will be issued to DASNY, which will assign all payments under the Series 2016A 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 2016A Bonds.

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. In connection with the issuance of the Series 2016A Obligation, the Master Indenture is being amended to modify certain financial covenants related to accounting computations. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Proposed Amendment to the Master Indenture" herein.

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 2016A 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 2016A BONDS.

Security for the Series 2016A 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 2016A 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 and Proposed Amendments – 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 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY – 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, contact 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

NYUHC has executed and delivered Mortgages on the Mortgaged Property to the Master Trustee, which Mortgages include a security interest in certain fixtures, furnishings and equipment located thereon. The Mortgages will secure on an equal and ratable basis all Obligations issued under the Master Indenture, including but not limited to the Series 2016A Obligation and the Parity Obligations. The Mortgages include mortgages related to Obligations securing the Prior Bonds, including the Refunded Bonds. Upon the issuance of the Series 2016A Bonds, the mortgages granted in connection with the Series 2006A Obligation and the Series 2011A Obligation, which secure the Refunded Bonds, will be amended to secure the Series 2016A Obligation. See "PART 1 – INTRODUCTION – The Mortgages."

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 Master Trustee's right to release any portion of the Mortgages 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 and Proposed Amendments – Permitted Sale Leaseback and Partial Release Sale."

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") on sites located on the Manhattan Campus 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 the Kimmel Pavilion and Energy Building 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 2016), NYUHC may divide each of these buildings into condominium units owned by it (the "New Units") and appurtenant common elements, and modify the existing mortgages to spread the lien of such 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 such mortgages.** For a description of the conditions to release, see "Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments – Permitted Release of Mortgaged Property."

Each of the Mortgages being amended in connection with the Series 2016A Obligation, as well as the Mortgages securing the Parity Obligations issued in connection with the Authority's NYU Hospitals Center Revenue Bonds, Series 2014 and Series 2014 (Dated January 2015), is insured under a title insurance policy. None of the Mortgages securing the 2012A Obligation, the 2013A Obligation, Obligation No. 12 or the Taxable 2014A Obligation have been insured under a title insurance policy. See "PART 8 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY– Realization of Value on Mortgaged Property."

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 and Proposed Amendments – 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 2016A 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 and Proposed Amendments – 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 and Proposed Amendments" 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 2016A 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-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments."**

The Institution has certain Indebtedness outstanding. See “Appendix B-1 – NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014,” “Appendix B-2 – Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors’ Report” and “Appendix B-3 – NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015.”

Proposed Amendment to the Master Indenture

The Master Indenture may be amended upon receipt of consent from DASNY and the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding. The Obligated Group intends to supplement and amend the Master Indenture as set forth below, which will become effective upon receipt by the Master Trustee of (i) DASNY’s consent to those amendments and (ii) evidence, in the form required by the Master Indenture, of the consent of the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding. By their purchase of the Series 2016A Bonds, the Holders thereof shall be deemed to have consented to the terms of the amendment and waived notice of such amendment, if any is required by the Master Indenture. Such consent shall be deemed a direction by the Holders of the Series 2016A Bonds to the Master Trustee to consent to the amendments as the Holder of the Series 2016A Obligation. The amendment will apply to the Series 2016A Bonds, the Series 2016A Obligation and any future Obligations only when the Holders of not less than 51% in aggregate principal amount of the outstanding Obligations have consented to such amendment.

The Obligated Group intends to amend and restate Section 1.02(c) of the Master Indenture in its entirety as follows:

> “(c) Where the character or amount of any asset, liability or item of revenue or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements hereof or of such agreement, document or certificate. If there is a change in generally accepted accounting principles and the Obligated Group shall determine that the change in such principles materially affects any consolidation, combination or other accounting computation required by this Master Indenture, or any other related agreement, document or certificate, any such consolidation, combination or other accounting computation shall be made (i) in accordance with generally accepted accounting principles currently in effect, or (ii) at the sole option of the Obligated Group as described below, to reflect adjustments generally consistent with generally accepted accounting principles in effect at the time of original execution and delivery of this Master Indenture, in which case such adjusted version, or the portion thereof, shall be used for the specified calculation, consolidation or combination required under this Master Indenture, or such agreement, document or certificate. If the Obligated Group elects to provide an adjustment to such consolidation, combination or other accounting computation, the Obligated Group Representative shall deliver an Officer's Certificate to the Master Trustee describing why then-current generally accepted accounting principles are inconsistent with the intent of the parties on the date of execution and delivery of this Master Indenture (including, but not limited to, to exclude the effect of "FASB ASC Topic 842, Leases" relating to treatment of leases formerly classified as operating leases under generally accepted accounting principles), the nature and effect of the adjustments made thereto and the effects thereof.”
>
> See “Appendix E-1 – Summary of Certain Provisions of the Master Indenture and Proposed Amendments.”

PART 3 - THE SERIES 2016A BONDS

General

The Series 2016A Bonds will be issued and outstanding pursuant to the Resolution and the Series 2016A Resolution. The Series 2016A 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 2016A 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 2016A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2016A 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 2016A 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 2016A Bonds, the Series 2016A Bonds will be exchangeable for fully registered Series 2016A 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 2016A Bonds

The Series 2016A Bonds will be dated their date of issuance. The Series 2016A 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 January 1, 2017. The Series 2016A Bonds will be offered as fully registered Bonds in denominations of $5,000 or any integral multiples thereof. Interest on the Series 2016A Bonds will be computed on the basis of a year of twelve 30-day months. The Series 2016A Bonds may be exchanged for other Series 2016A 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 2016A Bonds are December 15 and June 15. The Authority will not be obligated to make any exchange or transfer of Series 2016A Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2016A 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 2016A Bonds for redemption.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2016A Bonds are subject to redemption and purchase in lieu of redemption as described below.

Optional Redemption

The Series 2016A Bonds maturing on or after July 1, 2027 are subject to optional redemption prior to maturity, at the election or direction of the Authority, on or after July 1, 2026, 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 2016A 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 2016A Bonds maturing on July 1, 2040 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 2016A Bonds specified for each of the years shown below:

Series 2016A Bonds
Maturing on July 1, 2040

Year	Amount	Year	Amount
2037	$5,135,000	2039	$5,545,000
2038	5,335,000	2040†	5,775,000

†Final Maturity

Purchase in Lieu of Optional Redemption

The Series 2016A 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 2016A Bonds if the Series 2016A Bonds were then being optionally redeemed.

General

The Authority may from time to time direct the Trustee to purchase Series 2016A 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 2016A 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 2016A Bonds. The Institution also may purchase Series 2016A Bonds and apply any Series 2016A 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 2016A 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 2016A Bonds will be reduced for such year.

Selection of Bonds to be Redeemed

In the case of redemptions of the Series 2016A Bonds, other than mandatory redemptions, the Authority will select the principal amounts and maturities (including any Sinking Fund Installments) of the Series 2016A Bonds to be redeemed. If less than all of the Series 2016A Bonds of a maturity are to be redeemed, the Series 2016A 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 2016A 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 2016A 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 2016A Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2016A Bond.

If on the redemption date moneys for the redemption of the Series 2016A 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 2016A Bonds or portions thereof will cease to accrue from and after the redemption date and such Series 2016A 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 2016A 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 2016A Bonds shall not be required to be redeemed.

Notice of Purchase in Lieu of Redemption

Notice of the purchase of the Series 2016A 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 2016A 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 2016A Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2016A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A Bonds to be purchased, the former registered owners of such Series 2016A 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 2016A 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 2016A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2016A Bonds are to be purchased, the Series 2016A Bonds to be purchased will be selected by lot in the same manner as Series 2016A 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 2016A Bonds. The Series 2016A 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 2016A 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 and www.dtc.org.

Purchases of Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016A 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 2016A 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 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A 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 2016A 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 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A 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 2016A 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 2016A Bond maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016A 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 2016A 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 2016A 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 2016A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2016A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A BONDS.

So long as Cede & Co. is the registered owner of the Series 2016A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016A 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 2016A 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 2016A 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 2016A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2016A Bonds. or (ii) a continuation of the requirement that all of the Outstanding Series 2016A 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 2016A Bond certificates will be delivered as described in the Resolution 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 2016A BONDS UNDER THE RESOLUTION; (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 2016A 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 2016A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2016A BONDS; OR (VI) ANY OTHER MATTER.

PART 4 – PLAN OF REFUNDING

The primary purpose for the issuance of the Series 2016A Bonds is to refund the Refunded Bonds, which consist of the following:

Series	Maturity (July 1)	Refunded Principal	Principal Payment or Redemption Date (July 1)	CUSIP
Series 2006A	2016	$6,500,000	2016	64983QY60
Series 2006A	2020	28,935,000	2016	64983QY78
Series 2006A	2026	42,760,000	2016	64983QY86
Series 2011A	2021	4,425,000	2020	6499058A7
Series 2011A	2022	4,650,000	2020	6499058B5
Series 2011A	2023	4,885,000	2020	6499058C3
Series 2011A	2024	5,130,000	2020	6499058D1
Series 2011A	2025	5,405,000	2020	6499058E9
Series 2011A	2026	5,695,000	2020	6499058H2
Series 2011A	2031	22,735,000	2020	6499058F6
Series 2011A	2040	49,720,000	2020	6499058G4

A portion of the proceeds from the sale of the Series 2016A Bonds, will be used, together with other available funds under the Resolution, to refund and defease the Refunded Bonds. Upon the issuance of the Series 2016A Bonds, such proceeds are expected to be held uninvested as cash or used to acquire noncallable direct obligations of the United States of America (the "Investment Securities") and will be deposited to separate escrow funds with the trustee for each series of the Refunded Bonds (the "Prior Trustee"). Such Investment Securities, the principal and interest on which, when due, together with any initial cash deposit, will provide moneys sufficient to pay the maturing principal, sinking fund installments and interest due on the Refunded Bonds until the respective redemption dates and to the payment on the redemption dates of the redemption price of 100% of the outstanding principal amount of the Refunded Bonds, plus accrued interest to the respective redemption dates.

At the time of or prior to such deposit, the Prior Trustee will be given irrevocable instructions to give notice of the defeasance and redemption of the Refunded Bonds. Bond Counsel is expected to give an opinion, that upon making such deposits with the Prior Trustee and the issuance of certain irrevocable instructions to such Prior Trustee, the Refunded Bonds will, under the terms of the Resolution, be deemed to have been paid and will no

longer be outstanding under the Resolution, and all other obligations of the Authority granted by the Resolution shall be discharged and satisfied.

The mathematical accuracy of certain information and assertions provided by J.P. Morgan Securities LLC, 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 principal, interest and redemption requirements on the Refunded Bonds, (b) the computation of yield on the Series 2016A Bonds, and (c) the computation of yield on the escrow purchased with proceeds of the Series 2016A Bonds to refund the Refunded Bonds, was verified by Causey Demgen & Moore, P.C. (the "Verification Agent"). Such computations were based solely upon information provided by J.P. Morgan Securities LLC, 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 2016A Bonds, payable on July 1 of each such period, (ii) the interest payments coming due during each such period with respect to the Series 2016A 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 2016A Bonds, and all other long-term NYUHC indebtedness.

12-Month Period Ending August 31,	Principal of Series 2016A Bonds	Interest on Series 2016A Bonds	Total Debt Service on Other NYUHC Indebtedness[1]	Total Debt Service on all Indebtedness
2016	-	-	$110,863,124	$110,863,124
2017	$7,200,000	$7,507,249	113,978,508	128,685,758
2018	7,500,000	6,482,050	108,116,041	122,098,091
2019	8,000,000	6,257,050	99,483,200	113,740,250
2020	8,000,000	5,937,050	99,841,661	113,778,711
2021	4,840,000	5,537,050	93,243,832	103,620,882
2022	4,985,000	5,391,850	92,227,156	102,604,006
2023	12,260,000	5,192,450	81,594,924	99,047,374
2024	12,725,000	4,579,450	81,573,805	98,878,255
2025	13,240,000	3,943,200	81,551,379	98,734,579
2026	8,300,000	3,281,200	81,543,075	93,124,275
2027	4,335,000	2,866,200	81,521,521	88,722,721
2028	4,555,000	2,649,450	81,060,998	88,265,448
2029	4,785,000	2,421,700	81,024,118	88,230,818
2030	5,020,000	2,182,450	81,011,199	88,213,649
2031	5,270,000	1,931,450	80,994,263	88,195,713
2032	5,425,000	1,779,938	80,960,888	88,165,825
2033	4,490,000	1,508,688	80,956,651	86,955,338
2034	4,720,000	1,284,188	80,924,672	86,928,859
2035	4,845,000	1,154,388	75,650,577	81,649,965
2036	4,985,000	1,021,150	73,268,866	79,275,016
2037	5,135,000	871,600	67,421,189	73,427,789
2038	5,335,000	666,200	67,397,843	73,399,043
2039	5,545,000	452,800	67,381,132	73,378,932
2040	5,775,000	231,000	67,360,064	73,366,064
2041	-	-	67,343,916	67,343,916
2042	-	-	67,321,188	67,321,188
2043	-	-	52,065,582	52,065,582
2044	-	-	27,274,675	27,274,675
2045	-	-	2,559,647	2,559,647
TOTAL:	$157,270,000	$75,129,801	$2,327,515,694	$2,559,915,493

[1] 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 38th Street is estimated to be 0.95% through May 1, 2019 and 5.75% from May 1, 2019 through May 1, 2044. Includes 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. The taxable bonds, issued as bullet maturities, are amortized long term consistent with the Master Indenture. As of April 1, 2016, NYUHC had $86.1 million outstanding under the lines of credit with TD Bank, N.A. and Wells Fargo, N.A. An affiliate of Wells Fargo, N.A. is an underwriter for the Series 2016A Bonds. Excludes debt service on the Refunded 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 2016A Bonds:

Sources of Funds

Principal Amount of Series 2016A Bonds	$157,270,000
Net Original Issue Premium	23,738,769
Other Available Funds Under the Resolution	25,611,283
	$206,620,052

Uses of Funds

Refunding of the Refunded Bonds	$204,443,715
Costs of Issuance and Related Costs [1]	1,216,309
Underwriters' Discount	960,028
	$206,620,052

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[1] Includes fees and expenses of Bond Counsel and counsel to NYUHC, rating agency fees, Trustee and Master Trustee fees, and other costs.

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 2016A Bonds. NYUHC is a tertiary care teaching hospital with campuses located in mid-town Manhattan and Brooklyn and is the principal teaching hospital of 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"). NYUHC and NYUSM operate as an integrated academic medical center known as NYU Langone Medical Center (the "Medical Center").

On April 1, 2015, NYU Langone Health System (the "System"), of which the University is the sole member, became the sole member of NYUHC and NYU Lutheran Medical Center (formerly known as Lutheran Medical Center), an inpatient acute care facility located at 105 55th Street in Brooklyn. On January 1, 2016, NYU Lutheran Medical Center merged into NYUHC. As a result, the hospital formerly known as Lutheran Medical Center is now owned by, and operated as a campus of, NYUHC and is included in the operating and financial data of NYUHC (referred to herein as "NYU Lutheran"). For a discussion of the NYU Lutheran merger, see "Strategic Initiatives."

NYUHC owns three inpatient acute care facilities in Manhattan and Brooklyn: (1) Tisch Hospital, located on the campus shared with NYUSM at 550 First Avenue (the "First Avenue Campus"); (2) NYU Hospital for Joint Diseases Orthopaedic Institute ("NYUHJD"), an orthopaedic, neurologic and rheumatologic specialty hospital located at 301 East 17th Street (the "NYUHJD Campus," together, with the First Avenue Campus, the "Manhattan Campus"), which also houses the Rusk Institute of Rehabilitation Medicine (the "Rusk Institute"); and (3) NYU Lutheran, located in Brooklyn (the "Brooklyn Campus"). NYUHC also operates over thirty ambulatory facilities in Manhattan, Brooklyn, Queens and Long Island. See "Ambulatory and Inpatient Facilities and Operations" for a discussion of NYUHC's ambulatory facilities.

Of the $1.6 billion in net patient service revenue for NYUHC for the six months ended February 29, 2016, 52% is attributable to care provided at NYUHC's inpatient facilities and 48% is attributable to services provided at NYUHC's outpatient sites. Of the inpatient facilities, 76% is attributable to care provided at the Manhattan Campus and 24% is attributable to care provided at the Brooklyn Campus.

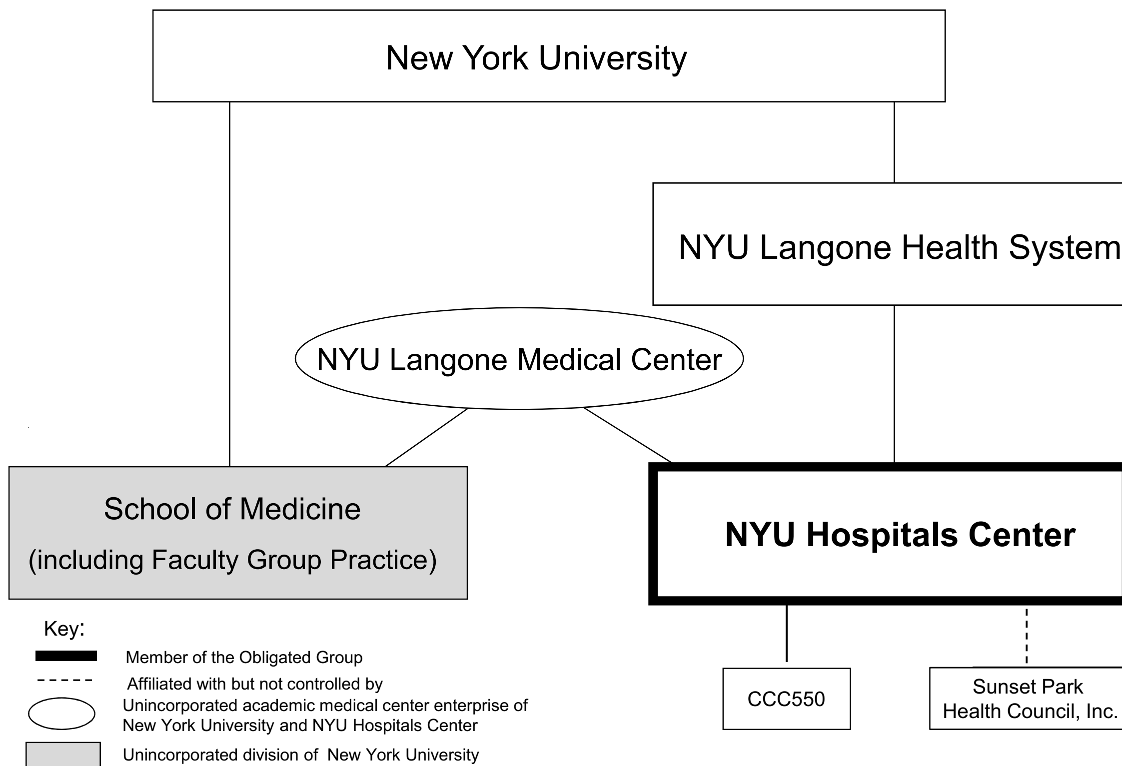
NYUHC IS THE SOLE MEMBER OF THE OBLIGATED GROUP. NEITHER NYU, THE SYSTEM, NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2016A BONDS. NO ASSETS OR REVENUES OF NYU, THE SYSTEM OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2016A BONDS.

For a discussion of the Hospital's affiliation with NYUSM, see "Affiliation with NYU School of Medicine."

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. References in the financial and statistical data to the Manhattan Campus include results of Tisch Hospital, NYUHJD, and their historic satellite outpatient sites, and references to the Brooklyn Campus include results of NYU Lutheran and its historic satellite outpatient sites. The results of operations of NYU Lutheran are included as if the merger was completed on September 1, 2015 (the first day of the current fiscal reporting period as required by the pooling-of-interest method of accounting). For more information on accounting treatment and NYU Lutheran financial information, see "Summary of Historical Revenues and Expenses" herein.

Principal Affiliates

Below is an organizational structure chart of NYUHC and certain of its principal affiliates. For more information, see "Affiliated Entities" and "System Affiliates" herein.



Excludes inactive corporations expected to be dissolved and System Affiliates (as defined herein)

None of New York University, its School of Medicine, its subsidiary NYU Langone Health System, Sunset Park, or the System Affiliates, are obligated with respect to the Series 2016A Bonds. No assets or revenues of such entities are pledged to secure the Series 2016A Bonds. CCC550, NYU Hospital Center's wholly owned captive insurance company, is not obligated with respect to the Series 2016A Bonds, and no assets or revenues of CCC550 are pledged to secure the Series 2016A 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 1,519 beds as shown below. Its services include cardiac surgery, treatment for cardiovascular diseases, dermatology, gastroenterology, hematology, obstetrics/gynecology, oncology, neurology, neonatal, infectious diseases, urology, general surgery, thoracic surgery, neurosurgery, ophthalmology, otolaryngology, reconstructive plastic surgery, vascular surgery, transplant services, orthopaedic surgery, reproductive endocrinology, rheumatology, radiology surgery, respiratory care, treatment for epilepsy, AIDS and chemical dependence, psychiatry and physical medicine and rehabilitation. NYUHC has an advanced gamma knife for neurosurgery and six robotic systems for minimally invasive urological, gynecological, thoracic, cardiac and colorectal surgeries.

As of March 31, 2016, 1,143 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 at Tisch Hospital to prepare for the new Kimmel Pavilion along with other temporary closures due to construction projects. For a discussion of the Kimmel Pavilion, see "Campus Transformation."

NYUHC Beds
As of March 31, 2016

	Manhattan Campus		Brooklyn Campus	
	Tisch Hospital	NYUHJD	NYU Lutheran	Total
Medical-Surgical	340	99	280	719
Intensive Care	51	0	18	69
Coronary Care	6	0	4	10
Bone Marrow Transplant	6	0	0	6
Total Medical-Surgical	**403**	**99**	**302**	**804**
Pediatric	39	0	9	48
Pediatric Intensive Care	9	0	0	9
Maternity	52	0	28	80
Psychiatry	22	0	35	57
Physical Medicine and Rehabilitation	22	22	30	74
Pediatric Physical Medicine and Rehabilitation	0	16	0	16
Traumatic Brain Injury	0	20	0	20
Neonatal Intensive Care	7	0	0	7
Neonatal Intermediate Care	18	0	4	22
Neonatal Continuing Care	0	0	6	6
Total Non-Medical-Surgical	**169**	**58**	**112**	**339**
Total Available	**572**	**157**	**414**	**1,143**
Total Licensed	**844**	**225**	**450**	**1,519**

Source: NYUHC records.

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

In 2015, for the third consecutive year, the Hospital was ranked number one in the country for overall patient safety and quality among the 102 leading academic medical centers in this category by the University Health System Consortium ("UHC").

NYUHC ranked number one on UHC's inaugural 2015 Ambulatory Care Quality and Accountability Leadership Award, which recognizes academic medical centers and their affiliated providers who demonstrate excellence in delivering high-quality, patient-centered, efficient, and effective outpatient care.

For four consecutive years, the Hospital was ranked in the top fifteen hospitals nationwide by *U.S. News and World Report*, and in 2015 was recognized as #12 on "The Honor Roll of Best Hospitals 2015-2016", with 12 nationally ranked specialties.

For four consecutive years, the Hospital was ranked number two by *U.S. News and World Report* in New York State and the New York Metro area.

For 2015, NYUHC was the only hospital in New York State to receive top 10 national rankings by *U.S. News and World Report* for all three musculoskeletal specialty areas of orthopaedics, rheumatology and rehabilitation.

In 2015, 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 27 years since *U.S. News and World Report* instituted its annual "Best Hospitals" rankings in 1989.

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 2016, NYUHC placed number seven on the list of the top 15 major teaching hospitals on *Modern Healthcare's* Top 100 Hospitals annual survey, a first for a New York City hospital to place in the Top 100.

Ambulatory and Inpatient Facilities and Operations

NYUHC operates over thirty ambulatory facilities in approximately 894,000 square feet of owned and leased space, the majority of which are located in Manhattan and Brooklyn. The largest facilities, located within several blocks of the First Avenue Campus, are the approximately 117,500 square foot Laura and Isaac Perlmutter Cancer Center (the "Cancer Center"), an approximately 330,000 square foot ambulatory care center (the "Ambulatory Care Center"), an approximately 83,300 square foot Center for Musculoskeletal Care (the "Musculoskeletal Center"), an approximately 18,900 square foot ambulatory surgery center (the "Ambulatory Surgery Center") and an approximately 20,000 square foot Hassenfeld Children's Center. Other Manhattan facilities include the Joan H. Tisch Center for Women's Health on the Upper East Side; the Center for Women's Imaging; the Initiative for Women With Disabilities; The Preston Tisch Center for Men's Health; a Transplant Clinic; the HJD Occupational and Industrial Orthopaedic Center and off-campus hospital extension clinics near the NYUHJD Campus, which includes the operations of the Rusk Institute.

Ambulatory facilities in Brooklyn include: NYU Langone Cobble Hill, an approximately 26,400 square foot free-standing Emergency Department in the Cobble Hill section ("Cobble Hill ED"); the approximately 11,000 square foot Brooklyn Endoscopy and Ambulatory Surgery Center in the Midwood section (the "Brooklyn Endoscopy Center"); Levit Medical, a diagnostic and treatment facility with three locations in the Canarsie, Bensonhurst and Midwood sections totaling approximately 223,000 square feet ("Levit Medical"); and two infusion centers in each of the Rego Park section of Queens and New Hyde Park on Long Island.

In addition, NYUHC operates, in cooperation with Sunset Park Health Council, Inc. ("Sunset Park"), nine primary care health centers, approximately thirty school-based health and dental clinics and approximately twelve community sites in homeless shelters throughout Manhattan, Brooklyn, Bronx and Staten Island (the "Health Centers"). The school-based clinics operate in space provided rent-free by the City of New York and the nine primary care centers operate in owned or leased space. Revenue from the Health Centers is not included in the financial results of NYUHC and is not available for or pledged to secure debt service on the Series 2016A Bonds. For a discussion of the Hospital's relationship with Sunset Park, see "Affiliated Entities."

The Hospital's inpatient facilities are located at (i) the First Avenue Campus, which spans 30th to 34th Street on First Avenue and houses Tisch Hospital, Schwartz Healthcare Center and other buildings shared with NYUSM, (ii) the NYUHJD Campus and (iii) the Brooklyn Campus located in the Sunset Park section of Brooklyn. 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 March 31, 2016

Building Location	Approximate Building Square Footage	Year of Construction	Uses
660 First Avenue	108,686	1906	Administration, with portions leased to NYUSM
301 East 17th Street(1)	338,510	1979	NYUHJD, inpatient, outpatient, administration
160 East 34th Street(1)	117,469	2004	Cancer Center, outpatient services, radiation oncology, diagnostic radiology, breast cancer, breast surgery, administration
550 First Avenue(1)	394,405(3)	1963	Tisch Hospital, inpatient, outpatient, administration, support
530 First Avenue(1)	93,529	1979	Schwartz Health Care Center, outpatient
1200 FDR Drive(1)	72,655	2014	Energy Building, energy plant and radiation oncology
150 55th Street, Brooklyn	530,000	1930	NYU Lutheran, inpatient, administration
240 East 38th Street	288,299	1967	Ambulatory Care Center - clinical labs, multiple sclerosis, rehabilitation, dermatology, pre-admission testing, infusion, oncology
333 East 38th Street(2)	126,838	1928	Ambulatory Surgery and Musculoskeletal Center
1630 East 14th Street, Brooklyn	10,578	2001	Endoscopy and ambulatory surgery center

Source: NYUHC records.

(1) These facilities are included in the Mortgaged Property (as defined in the forepart of the Official Statement). Areas indicated represent total tax lot.

(2) 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.

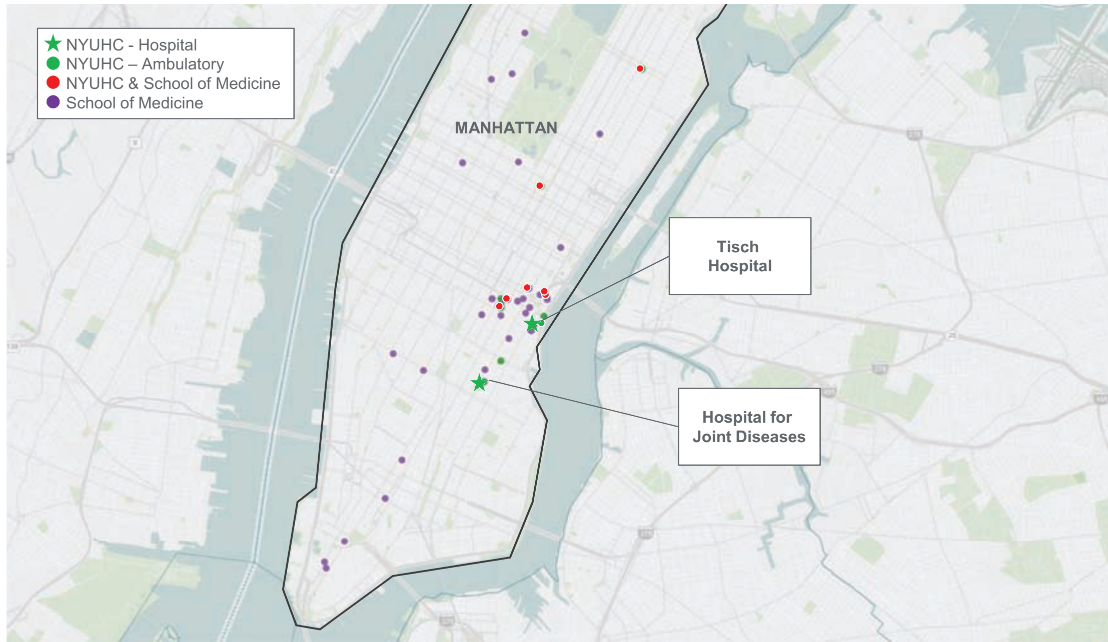
(3) Excludes the approximately 830,200 square foot Kimmel Pavilion under construction. For more information, see "Campus Transformation" herein.

The Cobble Hill ED is located on the campus of the former Long Island College Hospital ("LICH") in Cobble Hill, Brooklyn, which had been previously operated by the State University of New York ("SUNY"). NYUHC is currently subleasing the Cobble Hill ED facility. For information related to the proposed construction related to the Cobble Hill ED, see "Campus Transformation" herein.

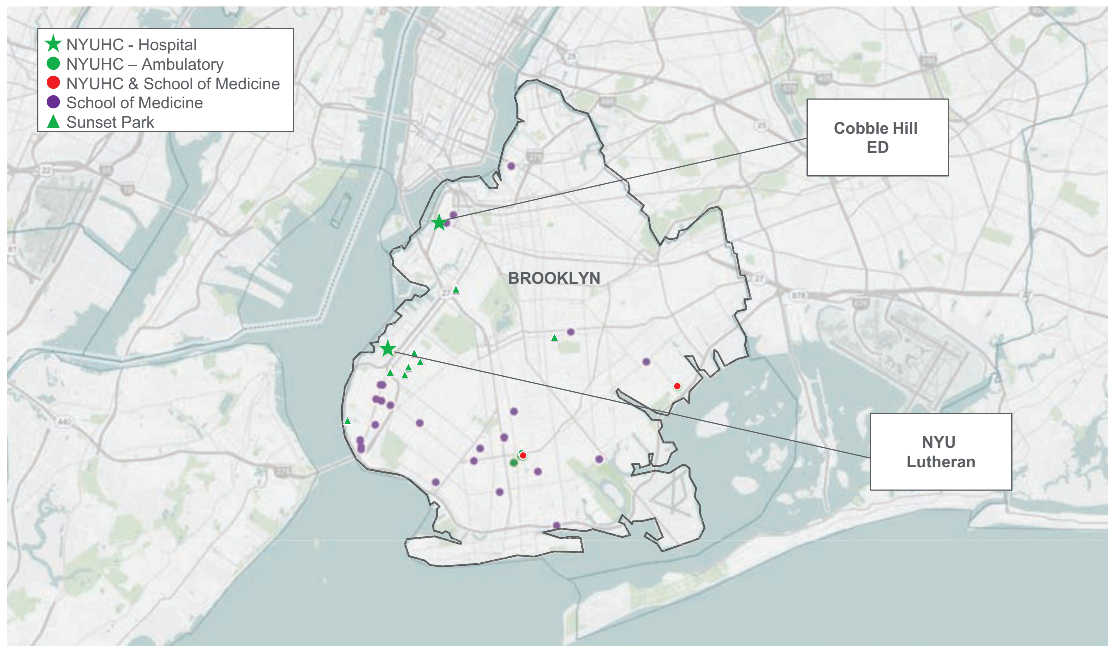
In addition to the facilities listed above, NYUHC leases 307,983 square feet in Manhattan, Brooklyn, and other areas for clinical, administrative, and support services.

Gross receipts generated from NYUHC health care facilities, whether or not part of the Mortgaged Property, secure NYUHC's Obligations under the Master Indenture (but this excludes revenues of the Health Centers co-operated with Sunset Park. See "Affiliated Entities" herein). See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS - Obligations under the Master Indenture – *Security Interest in Gross Receipts*."

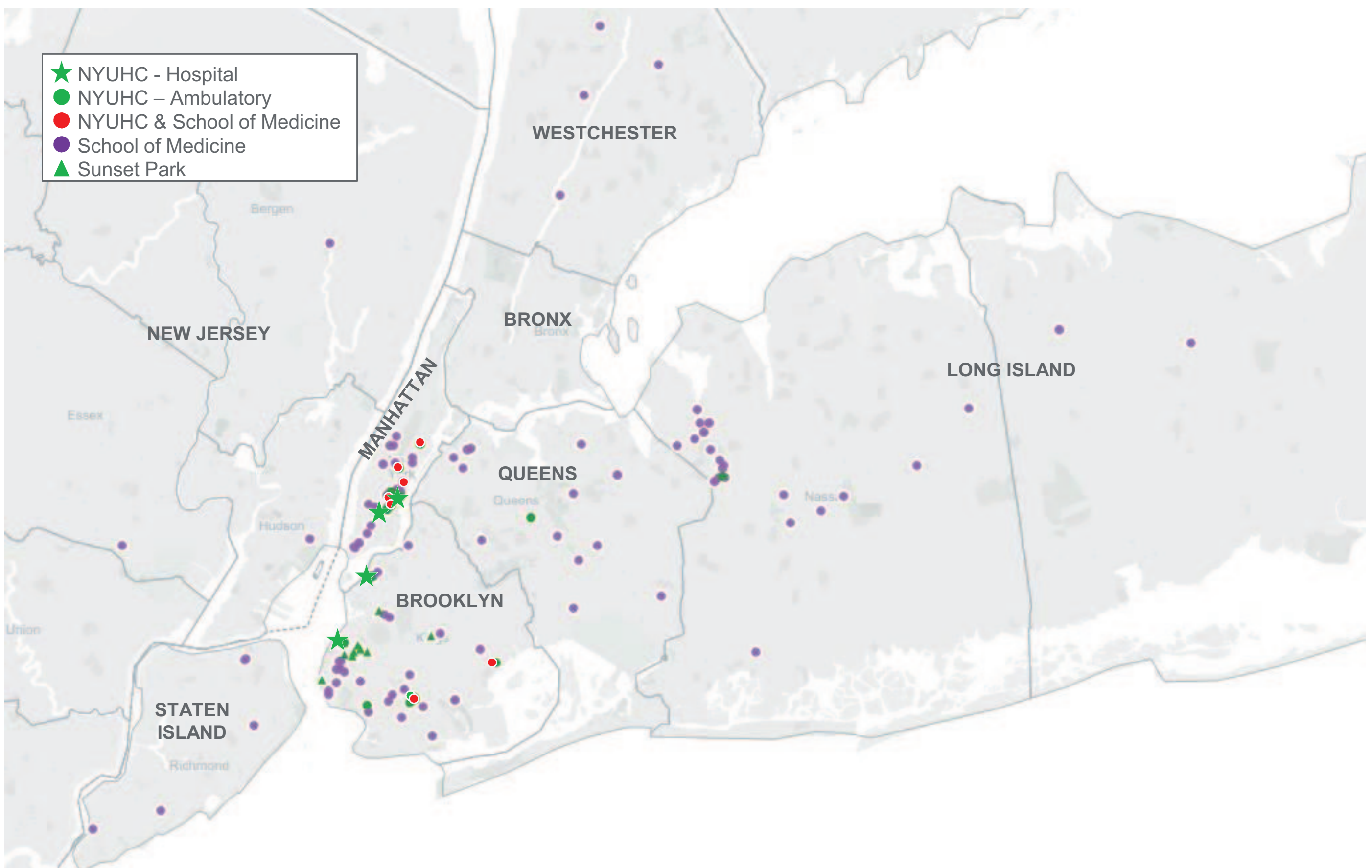
Manhattan



Brooklyn



Tri-State Region



Strategic Initiatives

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

- Achieving superior clinical quality and access to patient care
- Expanding physician and facility networks across a broad geographic region
- Targeting growth opportunities in outpatient services and ambulatory care
- Recruiting physicians in key specialty areas
- Leveraging technology for clinical quality and financial performance improvement
- Focusing on payor contracting strategy, including clinical integration and population health management
- Focusing on enterprise-wide management structure and measuring real time performance through a comprehensive dashboard for tracking key operating and financial metrics

In 2013, NYUHC implemented an interdisciplinary value-based management program that seeks to reduce costs while improving patient care. Since the program's implementation, the Hospital's average length of stay has decreased by 7% and the cost of inpatient Medicare cases has decreased by 18%. Another initiative of the program has been the development of dashboards that allow management and physicians to track the progress of the initiatives. Management estimates that projects related to the program have yielded a cumulative savings of $33 million through the first quarter of fiscal year 2016.

NYUHC was the first academic medical center in the New York metropolitan region to implement a fully integrated electronic medical record across inpatient and ambulatory settings. Implementation of the platform across the Manhattan Campus, including satellite outpatient sites, and the Faculty Group Practice sites was completed in January 2013. As of November 2015, Epic was implemented at the Brooklyn-based Faculty Group Practice sites, and Management intends to implement Epic at the Brooklyn Campus in late 2016. According to the Healthcare Information and Management Systems Society, NYUHC is the only hospital in New York State, and among 4% of hospitals nationwide, to achieve Stage 7 designation, which signifies an environment where paper charts are no longer used.

NYUHC has responded to the shift from inpatient to ambulatory care by expanding its ambulatory care footprint in Manhattan and concentrating on the Brooklyn market. In 2013, NYUHC purchased Brooklyn Endoscopy Center in the Midwood section and Levit Medical, a diagnostic and treatment facility with locations in the Canarsie, Bensonhurst and Midwood sections, and in 2014 opened the free-standing Cobble Hill ED, in the Cobble Hill section of Brooklyn. In fiscal year 2015, prior to the merger with Lutheran Medical Center, Brooklyn residents represented more than one-third of NYUHC's patient base, Brooklyn zip codes accounted for 60% of the land area of Hospital's primary service area, and Brooklyn residents accounted for 34% of hospital discharges and 44% of obstetric deliveries.

With its extensive primary care network, the merger with Lutheran Medical Center provided NYUHC a platform to expand its ambulatory care sites in Brooklyn. As a result of the merger, NYUHC became the lead hospital in NYU Lutheran Performing Provider System (the "DSRIP PPS"), a network of hospitals, primary care practices and other healthcare providers participating in the New York State Delivery System Reform Incentive Payment ("DSRIP") program. For a discussion of the DSRIP program, see "Reimbursement Methodologies – Managed Care" herein.

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.

Campus Transformation

First Avenue Campus

In 2007, the Medical Center Board of Trustees approved a campus transformation plan for the First Avenue Campus which provided for construction by NYUHC of an approximately 830,200 square foot, 22-story clinical facility (the "Kimmel Pavilion") and an approximately 75,000 square foot facility housing a cogeneration and electric service plant (the "Energy Building") serving the First Avenue Campus and housing NYUHC's Department of Radiation Oncology, and construction by NYUSM of an approximately 300,000 square foot Science Building to house NYUSM's research facilities (to be funded by NYU). Construction of the Kimmel Pavilion, anticipated to be completed in 2018, is funded by previously issued debt, philanthropy, and cash generated from operations. Actual spending totaled $436.4 million through February 2016 and an additional $934.2 million is budgeted through project completion. As of February 29, 2016, approximately $195.0 million in pledges have been raised, $61.5 million in additional contributions are anticipated and the remaining project costs are to be funded by the Capped Grant (as defined herein in "Effects of Superstorm Sandy"), capital reserves (which include prior bond proceeds) and cash generated from operations. Construction of the Energy Building has been completed, and is expected to be in full service by the end of 2016. Construction costs for the Energy Building are funded by previously issued debt and cash generated from operations. Actual spending totaled $224.6 million through February 2016, and management anticipates the remaining costs will be below the $41.0 million budgeted for completion.

NYUHC has established an internally designated fund to finance the Kimmel Pavilion and the Energy Building to the extent debt, philanthropy and cash flows sources are insufficient. As of February 29, 2016, the fund had $735.4 million of unrestricted assets.

Cobble Hill ED

NYUHC currently operates the Cobble Hill ED pursuant to a sublease from Fortis Property Group, LLC ("Fortis"), which is developing the former LICH campus for residential purposes. Pursuant to agreements among NYUHC, Fortis and SUNY, once demolition and remediation of adjacent premises is completed, SUNY is expected to deed the cleared site to NYUHC at no cost, and NYUHC intends to construct a medical services building. NYUHC is currently planning the configuration of services to be offered at this site.

Brooklyn Campus

As part of the integration of the former Lutheran Medical Center facilities, NYUHC is currently considering both near term and longer term enhancements to the Brooklyn campus. For example, in the next one to three years, NYUHC may repurpose some of the existing rehabilitation beds at the nursing home operated by Lutheran Augustana Center for Extended Care and Rehabilitation, Inc., a rehabilitation and nursing center ("Augustana"), for use as acute care beds. Any such conversion would require approval from the New York State Department of Health ("DOH") and would likely require refinancing the outstanding debt of Augustana (see Appendix B-3 at note 10). See "System Affiliates" herein.

In addition, management is developing a long range plan for the Brooklyn facilities that is currently expected to include new construction or substantial renovation anticipated to occur over the next five to ten years. No specific design configurations or cost estimates have been presented to or approved by the NYUHC Board of Trustees, although management believes the costs are likely to be material. Management currently anticipates that such costs would be funded from income from operations and potentially additional debt. Any borrowing in connection with such future plans would be made in compliance with the requirements of the Master Indenture. Completion of the long range plan for the Brooklyn facilities is dependent on internal and external approvals and is subject to market conditions and other factors.

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. NYUSM has more than 5,000 faculty members, which includes compensated faculty members as well as voluntary physicians with admitting privileges to NYUHC. Its residency and fellowship programs provide graduate training to approximately 1,212 residents and fellows in 93 programs, and its dental residency program provides training to approximately 410 dental residents. NYUSM has an affiliation with Sunset Park and 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.

NYUSM has increased its rankings in research over the past several years. In federal fiscal year 2015 (beginning on October 1, 2015 through September 30, 2016), NYUSM received $178 million in awards from NIH. In 2016, NYUSM ranked 11th in *U.S. News and World Report's* 2017 Best Medical Schools: Research, up from 34th place in 2007. 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 16th in 2014. In 2015, NYUSM faculty authored approximately 3,800 peer-reviewed publications.

NYUSM owns and operates a faculty group practice (the "Faculty Group Practice") that delivers patient care at more than 130 practice sites and, as of March 31, 2016, employed approximately 1,750 physicians providing services across clinical specialties, 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. In 2015, more than 140 Faculty Practice Group physicians were listed in the *New York Magazine* "Best Doctors" list.

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 ("NYUPN"), a New York limited liability company, in December 2012, through which the Hospital and the UPN physicians jointly contract with certain payors. For further discussion, see "Reimbursement Methodologies – Managed Care" herein.

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 $50 million in 2015, $30 million in 2014 and $50 million in 2016.

NONE OF NYU, THE SYSTEM OR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2016A BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2016A BONDS.

Affiliated Entities

NYUHC is the sole owner of CCC550 Insurance, SCC ("CCC550"), a captive insurance company, 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-1) 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.

NYUHC has a contractual affiliation with Sunset Park, a federally qualified health center that is co-operator with NYUHC of the Health Centers. Although Sunset Park has assigned to NYUHC its right to bill for services rendered by Sunset Park and NYUHC bills and collects services rendered by Sunset Park under the name and provider number of NYUHC, NYUHC has no beneficial interest in the revenues of Sunset Park and the revenues are not part of the gross receipts pledge securing indebtedness under the Master Indenture.

THE AFOREMENTIONED AFFILIATED ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NOT OBLIGATED ON THE SERIES 2016A BONDS, NOR ARE THEIR ASSETS OR REVENUES PLEDGED TO SECURE THE SERIES 2016A BONDS.

System Affiliates

In January 2016, contemporaneously with the merger of Lutheran Medical Center into NYUHC, the System assumed control of subsidiaries that had previously been controlled by Lutheran Medical Center (the "System Affiliates"). The System Affiliates, all not-for-profit, include (a) Augustana, a 240-bed rehabilitation and nursing center established in 1908, located close to the Brooklyn Campus; (b) Lutheran CHHA, Inc., a certified home health agency; (c) Community Care Organization, Inc., a licensed home health agency; (d) Sunset Bay Community Services, Inc., a provider of senior services and day care services pursuant to contracts with New York City; and (e) Harbor Hill Housing Development Fund Corporation, Shore Hill Housing Company, Inc. and Sunset Gardens Housing Development Fund Corporation, housing companies which provide housing to low-income senior citizens.

THE AFOREMENTIONED SYSTEM AFFILIATES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NOT OBLIGATED ON THE SERIES 2016A BONDS, NOR ARE THEIR ASSETS OR REVENUES PLEDGED TO SECURE THE SERIES 2016A BONDS.

Governance and Executive Staff

Trustees of NYUHC

The same individuals 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 University, the sole member of the System, elects the members of the System Board of Trustees and approves the individuals elected by the System Board to the Medical Center Board. 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 thus of NYUHC) and their business affiliations as of February 29, 2016.

Trustee Name	Company Affiliation
William R. Berkley	Chairman & CEO, W.R. Berkley Corp.
Robert Berne (*ex officio*)	Executive Vice President for Health, NYU
Edgar Bronfman, Jr.	General Partner, Accretive
Casey Box	Executive Director, Land is Life
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, 1919 Investment Counsel
Jamie Dimon*	Chairman of the Board and CEO, JP Morgan
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
Trudy E. Gottesman	Philanthropist
Robert I. Grossman, M.D. (*ex officio*)	Dean and CEO, NYU Langone Medical Center

Trustee Name	Company Affiliation
Andrew Hamilton, PhD	President, New York University
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
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, N.A.
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
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
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
Larry A. Silverstein	President and CEO, Silverstein Properties, Inc.
Joel E. Smilow	Chairman, Dinex Group, LLC
Carla Solomon, Ph.D.	Philanthropist
William C. Steere, Jr.	Chair Emeritus, Pfizer Inc.
Daniel Sundheim	Co-Chief Information Officer, Viking Global Investors
Allen R. Thorpe	Managing Director, Hellman & Friedman
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

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* These Board members are affiliated with either J.P. Morgan Securities LLC ("JP Morgan") or Bank of America, N.A. ("Bank of America"), an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). JP Morgan and Merrill Lynch are serving as underwriters for the Series 2016A Bonds. J.P. Morgan Chase Bank, N.A., an affiliate of JP Morgan, and Bank of America have each provided lines of credit to NYUHC (see "Maximum Annual Debt Service Coverage" herein).

The Board also has a Board of Overseers and the NYU Lutheran Advisory Board, each comprised of non-voting members.

Executive Staff

Robert I. Grossman, M.D., age 68

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. In 2013, he was named a *Living Landmark* by the New York Landmarks Conservancy for his leadership in the aftermath of Superstorm Sandy. He has authored over 335 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 in 1976 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 68

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.

Andrew W. Brotman, M.D., age 61

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 61

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 69

Dr. Press was named Senior Vice President of NYUHC and Vice Dean, Chief of Hospital Operations at NYUSM in 2016. Since 2007 he had served as Chief Medical Officer of NYUHC and later as patient safety officer. 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 diplomat 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. He 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*. Dr. Press 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.

Fritz Francois, M.D., age 45

Dr. Francois was named Chief Medical Officer and Patient Safety Officer of NYUHC in September, 2015. In his prior position as Chief of Medicine, Dr. Francois directed the restructuring of the medicine service to better

align care delivery with the clinical learning environment. From 2011 to 2013 Dr. Francois served as Associate Dean for Diversity and Academic Affairs at NYUSM. He has been funded by the NIH, the Robert Wood Johnson Foundation, the American College of Gastroenterology and the University of Malaya. In 2010 he was inducted into the Alpha Omega Alpha medical honor society and in 2011 received the NYU Martin Luther King Jr. Humanitarian Award. Dr. Francois is the recipient of five American Society for GI Endoscopy Diversity Minority Research awards, the Academic Champion of Health Award from the National Medical Fellowships for his work with underserved minority students and the Hospital for Joint Disease Frauenthal award for service to human health following the earthquake relief efforts in Haiti. In 2013, Dr. Francois was selected for the New York University Distinguished Teaching Award and in the fall of 2014 he was honored with the American College of Gastroenterology Minority Digestive Health Care Award. Dr. Francois earned a B.A. with commencement speaker honors from NYU College of Arts and Science and earned his medical degree from NYU School of Medicine, where he completed his internship, residency, chief residency and gastroenterology fellowship training.

Dafna Bar-Sagi, Ph.D., age 62

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 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 72

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 twelve 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 58

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 ("CPA") 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 63

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. He is Chairman of the Board of Healthix, a Regional Health Information Organization and serves on the Board of the New York eHealth Collaborative. Mr. Donoghue, a 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 for the last 16 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 56

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 27,000 faculty and staff across the Medical Center, the System and the Health Centers. 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 59

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 52

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 Audit and Compliance Committee of the System's Board of Trustees. 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 February 29, 2016, NYUHC had a professional staff of 3,362 physicians, of whom 2,149 were full-time or part-time employees of NYUSM or NYUHC and the remaining 1,213 were private practice physicians with admitting privileges at NYUHC. As of February 29, 2016, approximately 85% of the active members were board-certified, and the average age of the active physician staff was approximately 51 years. NYUHC and NYUSM have been actively recruiting physicians for the last several years, with a focus on internal medicine, cardiovascular disease, anesthesiology, pediatrics, neurology and neurosurgery, pulmonary/critical care, orthopaedic surgery and ophthalmology.

The following chart illustrates the number of active physicians (which includes active attending physicians at NYU Lutheran) by clinical department as of February 29, 2016.

NYUHC Active Physician Staff
As of February 29, 2016

Clinical Department	Total
Anesthesiology	199
Cardiothoracic Surgery	28
Dermatology	121
Emergency Medicine	145
Medicine	1,139
Neurology	131
Neurosurgery	26
OB/GYN	204
Ophthalmology	93
Orthopaedic Surgery	150
Otolaryngology	40
Pathology	59
Pediatrics	320
Psychiatry (Child & Adolescent)	33
Psychiatry	103
Radiation Oncology	17
Radiology	224
Rehabilitation	60
Plastic Surgery	36
Surgery	95
Urology	36
TOTAL	**3,362**

Source: NYUHC records.

Payor Mix

The following illustrates the payor mix for NYUHC for each of the three years ended August 31, 2013, 2014 and 2015 and the six month period ended February 28, 2015, and for NYUHC, including the Brooklyn Campus, for the six month period ending February 29, 2016:

NYUHC Percentage of Net Revenue by Payor
(Inpatient and Outpatient Services)

	Years Ended August 31,			Six Months Ended February,	
	2013	2014	2015	2015	2016[3]
Medicare[1]	22%	22%	20%	21%	28%
Medicaid[1]	6%	7%	8%	8%	12%
Blue Cross	24%	24%	25%	24%	22%
Commercial & Other[2]	48%	47%	46%	46%	37%
Self Pay	0%	0%	1%	1%	1%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Source: NYUHC records.

[1] Includes portion of Medicare managed care and Medicaid managed care net patient revenue. For the years ended August 31, 2013, 2014 and 2015, Medicare managed care represented 6%, 5% and 5% and Medicaid managed care represented 5%, 6% and 7% respectively, of total net patient revenue. For fiscal year ended February 28, 2015 and February 29, 2016, Medicare managed care represented 5% and 5% and Medicaid managed care represented 7% and 8% respectively, of total net patient revenue.

[2] Includes non-governmental managed care.

[3] The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period, as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see "Summary of Historical Revenues and Expenses" herein.

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 four in Manhattan (New York Presbyterian – Columbia Presbyterian Center, New York Weill Cornell Center, New York Downtown Hospital 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) the 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) Northwell Health (the former North Shore-Long Island Jewish Health System), a New York-based health system that includes fourteen area hospitals, including 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, 2014, and 2015.

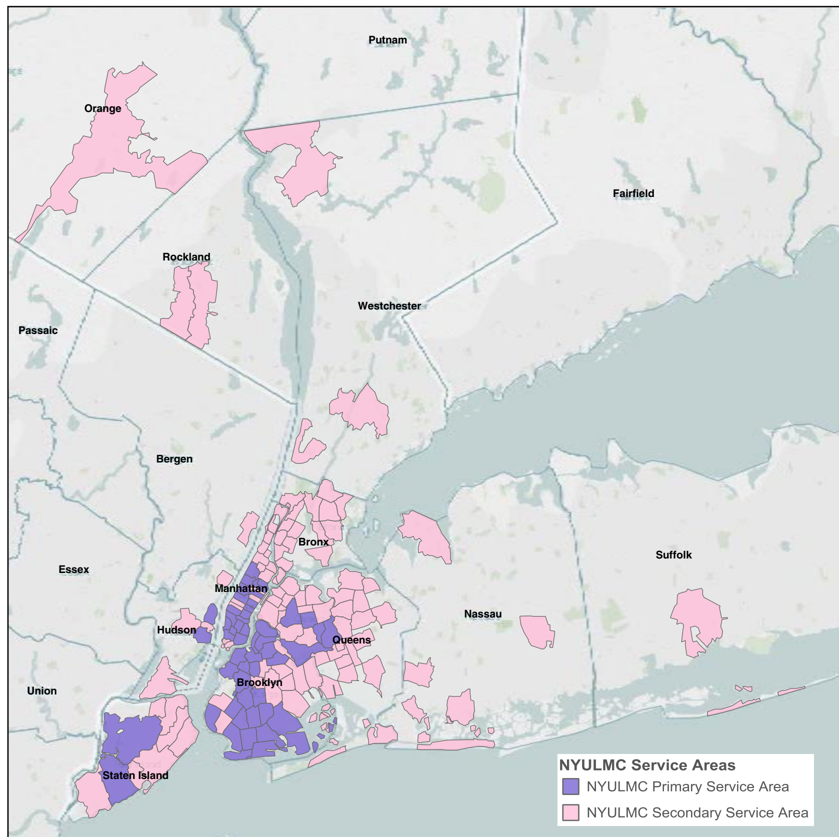
NYUHC Inpatient Geographic Origin[1]

	Calendar Years Ended December 31,		
Borough	**2013**	**2014**	**2015**
Manhattan	25%	27%	28%
Brooklyn	27%	30%	32%
Queens	14%	13%	12%
Bronx	4%	3%	3%
Staten Island	3%	3%	3%
Total New York City	**73%**	**76%**	**78%**
Other New York State	14%	12%	11%
Outside New York State	13%	12%	11%
Total	**100%**	**100%**	**100%**

Source: NYUHC records.
[1] Excludes NYU Lutheran.

The following map illustrates the primary and secondary service areas of NYUHC, with the primary service areas defined as areas that accounted for 50% of discharges by volume in calendar year 2013, and secondary service areas defined as areas accounting for the next 25% of discharges.

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, 2013, 2014 and 2015 and the six month period ended February 28, 2015, and includes statistics of the Brooklyn Campus for the six month period ending February 29, 2016:

NYUHC Historical Utilization Statistics

	Year Ended August 31,			Six Months Ended February 29,	
	2013[1]	**2014**	**2015**	**2015**	**2016**[2]
Discharges[3]	26,676	32,260	34,732	16,879	29,718
Patient Days	127,685	166,839	176,494	86,024	146,893
Average Length of Stay – Acute (in Days)	4.3	4.5	4.5	4.5	4.4
Average Length of Stay – Rehab (in Days)	16.3	16.4	15.4	15.7	15.9
Average Length of Stay – Total (in Days)	4.8	5.2	5.1	5.1	4.9
Average Daily Census	350	457	484	475	807
Average Beds Available	636	683	681	683	1,049
Percent of Occupancy	72%	74%	76%	75%	81%
Medicare Case Mix Index	2.21	2.23	2.23	2.21	2.00
Outpatient Visits					
Emergency Room Visits	26,098	41,350	62,911	27,887	62,133
Ambulatory Surgery Visits	29,169	36,409	41,342	19,534	26,144
Cancer Center Visits	209,685	225,894	255,502	122,976	136,950
Other Outpatient Visits	474,686	589,220	576,944	272,061	306,150
Total Outpatient Visits	**739,638**	**892,873**	**936,699**	**442,458**	**531,377**

Source: NYUHC records.

[1] The utilization data for the year ended August 31, 2013 reflect the service disruption that occurred as a result of Superstorm Sandy on October 29, 2012. For further discussion, see "Effects of Superstorm Sandy."

[2] The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see "Summary of Historical Revenue and Expenses" herein.

[3] Excludes routine nursery.

For the six months ended February 29, 2016, NYUHC discharges totaled 29,718, an increase of 12,839 compared to prior year; 11,796 visits were attributable to the inclusion of the Brooklyn Campus. Patient days totaled 146,893, an increase of 60,869 when compared to February 28, 2015, of which 58,271 were attributable to the Brooklyn Campus. Outpatient visits totaled 531,377, an increase of 88,919 visits or a 20.1% increase when compared to February 28, 2015, of which 50,419 visits were attributable to the Brooklyn Campus and 38,500 visits were attributable the Manhattan Campus. Management attributes the increase in outpatient visits at the Manhattan campus to increased volume and growth in Faculty Group Practice physician practices.

Summary of Historical Revenues and Expenses

Appendix B-1 to the Official Statement sets forth the audited NYUHC Consolidated Financial Statements as of August 31, 2014 and 2015, which were audited by PricewaterhouseCoopers, LLP. Appendix B-2 to the Official Statement sets forth the audited Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of December 31, 2013 and 2014, which were audited by Deloitte & Touche, LLP. Appendix B-3 sets forth the audited NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the period April 1, 2015 to August 31, 2015 and the period from January 1, 2015 to March 31, 2015, which were audited by PricewaterhouseCoopers, LLP.

Appendix B-1 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 1. In 2015, CCC550 represented 2.8% of the total revenues and 9.7% of the total assets of NYUHC. Appendices B-2 and B-3 include the results of Sunset Park and the System Affiliates.

NONE OF CCC550, SUNSET PARK, OR THE SYSTEM AFFILIATES ARE OBLIGATED WITH RESPECT TO THE SERIES 2016A BONDS AND NONE OF THEIR ASSETS OR REVENUES ARE PLEDGED TO SECURE THE SERIES 2016A BONDS.

On January 1, 2016, NYU Lutheran Medical Center merged into NYUHC. In accordance with the Generally Accepted Accounting Principles ASC Topic 805, this transaction was accounted for by adopting the pooling of interest methodology with retrospective adjustments in prior period financial statements for the period in which the entities were under common control. Therefore, the accompanying financial statements for the six months ended February 29, 2016 reflect the operations of NYUHC, including the results of NYU Lutheran, as if the merger was completed on September 1, 2015. Statistical information also is reported on a combined basis for this period.

Summary of Historical Revenues and Expenses of NYUHC[1]
(dollars in thousands)

	(Audited) Year Ended August 31,			(Unaudited) Six Months Ended February,	
	2013[2]	2014	2015	2015	2016[3]
Operating revenue					
Net patient service revenue before bad debt expense	$1,682,200	$2,051,114	$2,465,223	$1,173,689	$1,604,054
Bad debt expense	19,583	11,611	11,348	6,198	9,581
Net patient service revenue	1,662,617	2,039,503	2,453,875	1,167,491	1,594,473
Contributions	3,367	6,190	4,930	3,915	2,666
Endowment distribution and return on short-term investments	5,244	12,114	14,406	7,241	8,434
Commercial insurance recovery	54,118	9,232	-	-	317
Disaster recovery reimbursement	107,420	97,098	5,669	5,708	2,712
Other revenue	96,710	146,874	107,619	51,688	71,240
Net assets released from restrictions for operating purposes	2,467	23,044	7,929	2,767	10,806
Total operating revenue	1,931,943	2,334,055	2,594,428	1,238,810	1,690,648
Operating expenses					
Salaries and wages	675,690	736,018	795,591	393,210	565,446
Employee benefits	241,900	257,451	281,434	139,572	191,673
Supplies and other	736,346	958,925	1,106,416	524,211	674,696
Depreciation and amortization	83,598	98,565	113,519	53,819	71,189
Interest	31,527	46,166	62,588	31,106	31,864
Disaster expense	115,074	22,139	6,003	7,604	4,473
Total operating expenses	1,884,135	2,119,264	2,365,551	1,149,522	1,539,341
Gain from operations	47,808	214,791	228,877	89,288	151,307
Other items					
Impairment of property, plant and equipment - disaster related, net	(28,957)	2,540	-	-	-
(Loss) gain on disposals of property, plant and equipment	(4,745)	231	(43)	(2)	236
Loss on extinguishment	-	-	(27,074)	(27,074)	(1,155)
Disaster recovery reimbursement for capital	-	73,374	31,042	26,857	2,020
Grants for capital asset acquisitions	104	140	50	47	-
Mission support payment to NYUSM	(35,735)	(30,000)	(50,000)	(50,000)	(50,000)

Summary of Historical Revenues and Expenses of NYUHC[(1)]
(dollars in thousands)

	(Audited) Year Ended August 31,			(Unaudited) Six Months Ended February,	
	2013[(2)]	2014	2015	2015	2016[(3)]
Investment return less than Endowment distribution, net	(7,550)	8,023	(8,278)	(1,498)	(4,464)
(Deficiency) excess of revenue over expenses	(29,075)	269,099	174,574	37,618	97,944
Other changes in unrestricted net assets					
Changes in pension and postretirement obligations	96,438	(22,854)	(21,323)	(33,801)	(55,114)
Net assets released from restrictions for capital purposes	72,658	15,040	7,332	2,802	530
Net assets released from restrictions for hazard mitigation	-	12,000	69,088	45,480	59,471
Transfer of equity	-	-	-	-	13,137
Net increase in unrestricted net assets	$140,021	$273,285	$229,671	$52,099	$115,968

Source: NYUHC records.
(1) Reflects financial results of CCC550, which is not a Member of the Obligated Group, on equity basis of accounting.
(2) Data for the year ended August 31, 2013 reflect the disruption of service as a result of Superstorm Sandy. For further discussion, see “Effects of Superstorm Sandy.”
(3) The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period, as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see “Summary of Historical Revenues and Expenses” herein.

Management’s Discussion of Recent Financial Performance

Six Months Ended February 29, 2016 and 2015

For the six months ended February 29, 2016, NYUHC recorded a gain from operations of $151.3 million, of which $1.6 million was attributable to the Brooklyn Campus, and a $116.0 million net increase in unrestricted net assets compared with a gain from operations of $89.3 million and a net increase in unrestricted net assets of $52.1 million for the six months ended February 28, 2015. NYUHC generated an operating margin of 9.0% for the six months ended February 29, 2016 compared to a 7.2% operating margin for the six months ended February 28, 2015. Management attributes this increase primarily to continued growth in ambulatory services.

For the six months ended February 29, 2016, NYUHC recorded total revenue of $1.7 billion: 49% from inpatient operations; 45% from outpatient operations; and 6% from other sources. As compared to February 28, 2015, net patient revenue increased by $427.0 million or by 37%, of which $250.0 million was attributable to the Brooklyn Campus. In addition, management attributes the increase in net patient service revenue to continued growth in ambulatory services (including ambulatory surgery, cardiac catheterization, cardiac electrophysiology, Cancer Center and Musculoskeletal Center visits), payment rate increases and continued improvement in revenue realization through revenue cycle initiatives.

Operating expenses for the six months ended February 29, 2016 increased by $389.8 million or 34% to $1.5 billion, compared with $1.1 billion for the six months ending February 28, 2015, of which $264.4 million was attributable to the Brooklyn Campus. Operating expenses for the six months ended February 29, 2016 were comprised of: 49% salaries and benefits; 44% supplies; 5% depreciation and amortization; and 2% interest. In

addition to the merger, management attributes these increases primarily to the increase in ambulatory volume, employee salary and benefit costs, and cost of medical supplies and purchased services.

Years Ended August 31, 2015 and 2014

For the year ended August 31, 2015, NYUHC recorded a gain from operations of $228.9 million and a $229.7 million net increase in unrestricted net assets compared with a gain from operations of $214.8 million and a net increase in unrestricted net assets of $273.3 million for the year ended August 31, 2014. The 2015 performance equates to an operating margin of 8.8% compared to a 9.2% operating margin for the year ended August 31, 2014.

For the year ended August 31, 2015, NYUHC recorded total revenue of $2.6 billion: 45% from inpatient operations; 49% from outpatient operations; and 6% from other sources. As compared to the year ended August 31, 2014, net patient revenue increased by $414.4 million or by 20%. In addition to the full recovery of services from Superstorm Sandy, management attributes the increase in net patient revenue to continued growth in ambulatory services, (including ambulatory surgery, cardiac catheterization, cardiac electrophysiology, Cancer Center and Musculoskeletal Center visits), inpatient and outpatient payment rate increases and continued improvements in revenue realization through revenue cycle initiatives. Operating expenses for the year ended August 31, 2015 increased 12% to $2.4 billion compared with $2.1 billion for the year ended August 31, 2014. Operating expenses were comprised of: 46% salaries and benefits; 47% 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, 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 23%. Management attributes this increase primarily to the full post-storm recovery of services in 2014, including the re-opening of the Emergency Department 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 payment 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 13% 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 ambulatory volume, increased salary and benefit costs and increased cost of medical supplies and purchased services.

Lutheran Medical Center

The below historic financial information of Lutheran Medical Center presented for the periods April 1, 2015 to August 31, 2015 (the "Successor" period beginning on the effective date of the Lutheran Medical Center affiliation with the System) and January 1, 2015 to March 31, 2015 (the "Predecessor" period prior to the effective date of the Lutheran Medical Center affiliation with the System) is derived from the audited NYU Lutheran Combined Financial Statements and Supplemental Combining Information report included in Appendix B-3. The amounts included below are excerpted from the data reported for Lutheran Medical Center individually included in the Supplemental Combining Information section for each period of the report.

For information of Lutheran Medical Center for the years ended December 31, 2014 and 2013, see the audited Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information report attached as Appendix B-2, including the data reported for Lutheran Medical Center individually included on pages 49 and 51 in the Supplemental Combining Information section of the report.

The audited Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information report attached as Appendix B-2 and the audited NYU Lutheran Combined Financial Statements and Supplemental Combining Information report included in Appendix B-3 include the results of operations of Sunset Park and the System Affiliates. Neither Sunset Park nor the System Affiliates are included in the audited financial statements of NYUHC attached as Appendix B-1 to the Official Statement. **NEITHER SUNSET PARK NOR THE SYSTEM AFFILIATES ARE OBLIGATED WITH RESPECT TO THE SERIES 2016A BONDS AND NONE OF THEIR ASSETS OR REVENUES ARE PLEDGED TO SECURE THE SERIES 2016A BONDS.**

Summary of Historical Revenues and Expenses of Lutheran Medical Center
(dollars in thousands)

	Audited **Three Months Ended March 31,**	Audited **Five Months Ended August 31,**
	2015	**2015**
Operating revenue		
Net patient service revenue before bad debt expense	$111,090	$195,398
Bad debt expense	8,882	4,336
Net patient service revenue	102,208	191,062
Grant income	1,182	6,246
Investment income	473	(1,510)
Net assets released from restrictions for operating purposes	389	630
Other revenue	6,603	9,765
Total operating revenue	110,855	206,193
Operating expenses		
Salaries and wages	50,357	86,724
Employee benefits	18,915	31,350
Supplies and other	39,633	79,637
Depreciation and amortization	4,320	5,295
Interest	480	530
Total operating expenses	113,705	203,536
(Deficiency) excess of revenue over expenses	(2,850)	2,657
Other changes in unrestricted net assets		
Defined benefit plan adjustments	(9,060)	13,094
Changes in unrealized gains and losses on investments	1,524	(2,299)
Reclassification of permanently restricted net assets	308	-
Transfer of equity	-	(17,139)
Net assets released from restrictions for capital purposes	18	226
Net increase in unrestricted net assets	$(10,060)	$(3,461)

Source: NYUHC records.

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 System'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, 2013, 2014 and 2015 and the six month period ended February 28, 2015, and includes statistics of the Brooklyn Campus for the six month period ending February 29, 2016. It is derived from the corresponding information contained in the audited financial statements for the fiscal years ended August 31, 2013, 2014 and 2015. 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 2016A Bonds, with a par amount of $157.27 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)

	Year Ended August 31, (audited)			12 Months Ended February 29, (unaudited)
	2013[1]	**2014**	**2015**	**2016**[2]
(Deficiency) excess of revenue over expenses	$(29,075)	$269,099	$174,574	$234,900
Impairment of property, plant and equipment, net	28,957	(2,540)	-	-
Loss (gain) on disposals of property, plant and equipment	4,745	(231)	43	(195)
Loss on extinguishment	-	-	27,074	1,155
Disaster recovery reimbursement for capital	-	(73,374)	(31,042)	(6,205)
Grants for capital asset acquisitions	(104)	(140)	(50)	-
Mission support payment to NYUSM	35,735	30,000	50,000	50,000
Endowment distribution, net	7,550	(8,023)	8,278	11,244
Depreciation and amortization	83,598	98,565	113,519	130,889
Interest	31,527	46,166	62,588	63,346
Income Available for Debt Service	$162,933	$359,522	$404,984	$485,134
Divided by:				
Maximum Annual Debt Service	$106,372	$109,799	$122,011	$130,221
Maximum Annual Debt Service Coverage	1.53	3.27	3.32	3.73
Pro Forma Maximum Annual Debt Service[3]	-	-	128,686	128,686
Pro Forma Maximum Annual Debt Service Coverage[3][4]	-	-	3.15	3.77

Source: NYUHC records.

(1) Data for the year ended August 31, 2013 reflects the disruption of service as a result of Superstorm Sandy

(2) Data reflects preceding 12 consecutive calendar months. Pro forma debt service is calculated for such period consistent with the Master Trust Indenture. The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see "Summary of Historical Revenues and Expenses" herein.

(3) See also "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS."

(4) NYUHC has four unsecured line of credit totaling $500.0 million with Bank of America, N.A., J.P. Morgan Chase Bank, N.A., TD Bank, N.A., and Wells Fargo Bank, N.A. As of February 29, 2016, NYUHC had an aggregate outstanding balance on these lines of $77.1 million; $30.0 million with Bank of America and $47.1 million with Wells Fargo. There were no amounts drawn on the lines of credit with TD and JP Morgan banks. The tax-exempt Series 2016A bond proceeds are being used to currently refund all the Series 2006A bonds and partially advance refund the Series 2011A bonds. J.P. Morgan, Wells Fargo and Bank of America Merrill Lynch are serving as underwriters for the Series 2016A bonds. The pro forma maximum annual debt service coverage includes capital leases, amounts outstanding on lines of credit and assumes smoothing of bullet maturities as allowed under the Master Indenture. NYUHC has executed $75.7 million in capital leases as of February 29, 2016, with $23.6 million and $18.0 million amortizing in 2017 and 2018, respectively. Pro forma maximum annual debt service excludes the Series 2006A and the partially refunded Series 2011A bonds and includes the Series 2016A 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, (audited)			Month Ended February 29 (unaudited)
	2013	**2014**	**2015**	**2016[1]**
Cash and cash equivalents	$162,861	$323,459	$109,739	$50,837
Marketable securities	25,739	27,818	26,623	36,773
Assets limited as to use	99,502	145,237	48,698	75,036
Assets limited as to use – board designated	488,918	512,013	691,443	735,405
Less: Restricted Funds	(59,967)	(107,563)	(20,982)	(16,470)
Total Cash per Master Indenture	$717,053	$900,964	$855,521	$881,581
Operating expenses	$1,884,135	$2,119,264	$2,365,551	$2,755,370
Depreciation and amortization	(83,598)	(98,565)	(113,519)	(130,889)
Other adjustments per Master Indenture	77,165	36,363	42,612	54,763
Total Modified Operating Expenses	**$1,877,702**	**$2,057,062**	**$2,294,644**	**$2,679,244**
Days Cash on Hand[2]	139	160	136	120

Source: NYUHC records.
[1] The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see "Summary of Historical Revenues and Expenses" herein.
[2] "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 invested primarily in short-term bond index funds. In addition, NYUHC has marketable securities consisting of quasi-restricted and permanently restricted endowments. Such marketable securities are in a pooled investment portfolio maintained by NYU.

The table below sets forth the debt to capitalization calculated pursuant to the Master Indenture definition.

Debt to Capitalization
(dollars in thousands)

	Year Ended August 31, (audited)			Month Ended February 29, (unaudited)
	2013	**2014**	**2015**	**2016**[1]
Short term Debt	$77,165	$36,363	$42,612	$54,763
Long term Debt	1,121,794	1,401,199	1,479,592	1,562,746
Total	**1,198,959**	**1,437,562**	**1,522,204**	**1,617,509**
Short Term Debt	77,165	36,363	42,612	54,763
Long Term Debt	1,121,794	1,401,199	1,479,592	1,562,746
Unrestricted Net Assets	758,080	1,031,365	1,261,036	1,553,267
Total Capitalization	**1,957,039**	**2,468,927**	**2,783,240**	**3,170,776**
Debt-to-Capitalization	**61.26%**	**58.23%**	**54.69%**	**51.01%**

Source: NYUHC records.
[1] The results of operation of NYU Lutheran have been included as if the merger were completed on September 1, 2015 (the first day of the current fiscal reporting period as required by pooling-of-interest accounting). For more information on accounting treatment and NYU Lutheran, see "Summary of Historical Revenues and Expenses" herein.

Interest Rate Swap Agreements

NYUHC is not a party to any interest rate swap agreements.

Effects of Superstorm Sandy

NYUHC's financial results for the three years presented continue to be affected by trailing adjustments relating to damages caused by Superstorm Sandy, which occurred in October 2012 and shut down inpatient services at the First Avenue Campus for approximately six weeks. The Federal Emergency Management Agency ("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. In July, 2014, a letter of undertaking was executed by FEMA, the State of New York, the 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 an 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 (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. All FEMA funding remains subject to legislative appropriation, compliance with extensive regulatory requirements and retroactive audit and recoupment. See "PART 8 – Bondowners' Risks and Matters Affecting the Health Care Industry – Funding from the Federal Emergency Management Agency."

The table below sets forth a summary of FEMA Capped Grant Program Activity for the years ended August 31, 2014 and 2015 and the six month period ended February 29, 2016.

Summary of FEMA Capped Grant Program Activity
(dollars in thousands)

	Year Ended August 31, 2014	2015	Six Months Ended February, 2016
Statement of Operations			
Operating Revenue	$ 84,137	$3,460	$2,712
Non-Operating Revenue	73,374	31,042	2,020
Total Statement of Operations	**157,511**	**34,502**	**4,732**
Statement of Changes in Net Assets	**213,253**	**-**	**-**
Total Revenues	370,764	34,502	4,732
Cash Received	329,314	-	74,122
Reallocation of funding between FEMA Awards	-	14,541	-
Receivable	$ 41,450	$90,493	$21,103
Balance Sheet Classification of net receivable			
Disaster recovery receivable	-	$43,572	$436
Disaster recovery receivable, less current portion	106,336	63,199	63,199
Deferred Revenue-disaster recovery	(64,886)	(16,278)	(42,532)
	$ 41,450	$90,493	$21,103

Source: NYUHC records.

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 $245.9 million in 2013, of which $83.7 million was allocable to NYUHC, $256.2 million in 2014, of which $75.1 million was allocable to NYUHC, and $193.9 million in 2015, of which $46.9 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, 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 2016 (effective October 1, 2015), 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 0.9%. (The actual market basket update is 2.4% 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 0.6% reduction of the market basket update. 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-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 2016, 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 2016, the hospital value based purchasing adjustment program will be funded by a 1.75% 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 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 2015, NYUHC received $77 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 “PART 8 – Bondowners’ Risks and Matters Affecting the Health Care Industry – National Health Reform.” 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 “PART 8 – Bondowners’ Risks and Matters Affecting the Health Care Industry – Regulatory Reviews and Audits.” 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 OPPS 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 payors, except Medicaid, workers’ compensation and no-fault insurance programs, negotiate hospitals’ 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 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 payors 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 DOH 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 are assigned to each case 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"). DOH 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 DOH 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 have become increasingly prevalent in New York State. These programs, which focus on utilization controls through the use of primary care physicians, case managers and other care coordinators, use a variety of payment methodologies, including per diem rates, per discharge rates, discounts from established charges, fee schedules and capitation payments. As enrollment increases, managed care programs are expected to have an ever greater influence on how health care services are delivered reimbursed in the future, particularly in reducing the utilization of health care services, and inpatient services in particular. NYUHC's financial condition may be adversely affected by these trends.

NYUHC has contracts with all of the major managed care companies which cover most products (health maintenance organization ("HMO"), point of service, preferred provider organization ("PPO"), exclusive provider organization and payor types (Medicare, Medicaid and commercial)). Empire Blue Cross, Oxford Health Plans, Aetna US Healthcare and United Healthcare are the largest payors for NYUHC. Most managed care reimbursement arrangements are 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, with separate rates for each product line (Medicare, Medicaid and commercial). Most commercial inpatient contracts are based on current CMS methodology with additional outlier per diems payment triggering long stay cases that exceed a DRG specific length of stay target and a case rate structure for maternity with outlier per diems triggering beyond a defined length of stay threshold. Some services are negotiated on a per diem basis and implantable and specialty drugs generally require separate payments. 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.

Most Medicaid managed care members are enrolled in Prepaid Health Service Plans ("PHSP"), which are managed care plans New York State enabled to enroll eligible Medicaid patients pursuant to a federal waiver. NYUHC has taken steps to respond to the implementation of mandatory Medicaid enrollment in New York City by 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.

NYUHC has taken a number of initiatives to address the payment reform movement. Over the last two years, the Hospital restructured the fee schedules with its major payors to reduce patient financial exposure. NYUPN, the joint collaboration of NYUHC and UPN, includes approximately 400 primary care physicians and 2,000 specialists across New York City, Westchester and Nassau Counties who manage and coordinate the care for participating patients. NYUPN has entered into shared savings contracts with most large commercial health plans in the New York metropolitan area carrying an attributed population of more than 200,000 patients. NYUPN receives bonus payments under these arrangements if the total cost of care for the attributed population in the measurement period is less than the targeted amount established using a base period. These contracts have been upside-only through 2015, with less than 10% of such contracts moving to upside/downside risk in 2016.

The Hospital participates in the CMS Bundled Payments for Care Initiative, which permits participating organizations to enter into payment arrangements that include financial and performance accountability for all services during a 90 day episodes of care. NYUHC has received bonus payments in each quarter since the beginning of the demonstration.

NYUHC is the lead hospital in the DSRIP PPS, a network of hospitals, primary care practices and other healthcare providers participating in the DSRIP program. DSRIP is a New York State initiative to restructure the health care delivery system by reinvesting in the Medicaid program, with the primary goal of reducing avoidable hospital use by 25% over five years. After Lutheran Medical Center merged into NYUHC, NYUHC met the criteria of a safety net provider to participate as a performing provider in DSRIP, as it meets the percentage requirements for Medicaid patients (35% for outpatient and 30% for inpatient). Up to $6.42 billion dollars has been allocated to the program, of which approximately $127.8 million has been allocated to the DSRIP PPS, with payouts to participating providers to be based upon achieving predefined results in system transformation, clinical management and population health. In addition, in March 2016, NYUHC was notified by the Capital Restructuring Financing Program that in support of the DSRIP program, the DSRIP PPS was awarded an approximately $29.2 million grant to fund the DSRIP PPS enterprise clinical platform implementation and an approximately $7.8 million

grant to fund observational unit construction on the Brooklyn Campus. Receipt of these grants is conditioned on compliance with certain conditions. The allocation of any DSRIP awards among the participants in DSRIP PPS has not yet been determined, and it is expected that the allocations may vary by award category, clinical or operational performance, and various other factors. As a result, management cannot determine at this time what portion, if any, of these awards may ultimately be paid to NYUHC.

The System is also in the process of forming an independent practice association to serve as contracting entity with Medicaid managed care organizations on behalf of NYUHC, physicians and other providers participating in the network.

Employees

As of February 29, 2016, NYUHC had 13,672 full-time equivalent ("FTE") employees, including 2,774 FTE registered nurses and 27 FTE licensed practical nurses. NYUHC employs approximately 6,376 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. Approximately 153 employees, including skilled craftpersons such as electricians, plumbers, painters, refrigeration mechanics and carpenters, are represented by the International Brotherhood of Teamsters, Local 810 ("Local 810"). 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"), which includes security officers, security specialists and security sergeants, and approximately 8 security officers at the NYUHJD Campus who are represented by the Brotherhood of Security Personnel Officers and Guards International Union (the "Brotherhood"). The collective bargaining agreement with Local One expires on March 1, 2019 and the collective bargaining agreement with the Brotherhood expires on January 31, 2019. NYUHC also employs approximately 740 employees who are registered nurses at the Brooklyn Campus represented by the Federation of Nurses/United Federation of Teachers, Local 2 ("Local 2"). The collective bargaining agreement with Local 2 expires on February 28, 2018. 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 and Benefit 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 "PART 8 – Bondowners' Risks and Matters Affecting the Health Care Industry – Multiemployer Pension Plans" and footnote 8 in Appendix B of the Official Statement.

NYUHC maintains different pension and welfare benefit plans for its Manhattan campus employees and its Brooklyn campus employees, as described below in more detail.

Manhattan Campus

In 2015, NYUHC contributed $26.4 million to the defined contribution plan it sponsors for Manhattan campus employees. The Manhattan campus defined benefit plan sponsored by NYUHC was frozen to new participants as of July 1, 2000. Contributions to this 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 NYUHC may deem appropriate from time to time. NYUHC made a $10.0 million contribution to this defined benefit plan in 2015 and $14.9 million in 2014. Pension benefits under this defined benefit plan are based on participants' final average compensation levels and years of service. The measurement

date for this defined benefit plan is August 31. As of August 31, 2015, this defined benefit plan was approximately 71.9% funded. See footnote 8 to Appendix B-1 to the Official Statement for additional information.

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

Brooklyn Campus

NYUHC assumed sponsorship of the plans made available to Brooklyn Campus employees on January 1, 2016 in connection with the merger of Lutheran Medical Center into NYUHC. For the reported audit period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015, NYU Lutheran contributed approximately $6.0 million to the Brooklyn Campus defined contribution plan. The Brooklyn Campus defined benefit plan was partially frozen in 2003 with one class of employees covered under a union agreement remaining active. For the reported audit period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015, Lutheran Medical Center contributed approximately $2.5 million to this defined benefit plan. The measurement date for this defined benefit plan is August 31. As of August 31, 2015, this defined benefit plan was approximately 63% funded. See footnote 8 to Appendix B-3 to the Official Statement for additional information.

NYUHC offers a 457(b) plan to certain Brooklyn Campus employees. Contributions, through payroll deductions, are made solely by employees.

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-1 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, 2015 to July 1, 2016 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 the First Avenue Campus. In addition, for the First Avenue Campus, there is an excess flood policy with limits of $100 million in the aggregate.

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 2016A Bonds.

PART 8 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY

The following discussion of risks to holders of the Series 2016A Bonds is not intended to be exhaustive, but rather to summarize certain matters that could affect payment of the Series 2016A Bonds, in addition to other risks described throughout the Official Statement and this Part 8. 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 the implementation of national health reform and efforts by the federal and state governments, managed care organizations ("MCOs"), 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 MCOs, private insurers and other third-party payors, and private purchasers of health care services. The effect on NYUHC of future changes in federal, state 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 that 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 providers in NYUHC's area; changes in levels of private philanthropy; malpractice claims, investigations, audits and other litigation; economic and demographic developments in the United States and in the service areas in which NYUHC facilities are located; changes in investment results; and changes in rates, costs, third-party reimbursements (including, without limitation, Medicare and Medicaid program payment) and governmental regulations concerning payment. All of the above referenced factors could affect NYUHC's ability to make payments with respect to the Series 2016A Bonds. See the consolidated financial statements, related notes and other financial information included in Appendix B-1 of the Official Statement.

Health Care 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 are occurring in the United States health care system. Some of the 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 to 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, efforts to reduce funding for the implementation of the ACA or executive decision to defer implementation of components of the ACA. In addition, general uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself creates risk.

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. Substantial reductions in the rate of increase of Medicare "market basket" adjustments and in actual reductions in Medicare payments will likely result in a significant negative impact to the hospital industry overall. The legislation's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the inpatient prospective payment system over the next ten years, as well as reductions to or elimination of Medicare reimbursements for certain patient readmissions and hospital-acquired conditions.

Health care providers will likely be further subject to decreased reimbursement rates 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 the 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 below 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 MCOs and private insurers may follow government cost reduction actions.

The ACA likely will affect some health care organizations differently from 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 has adopted 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, and 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 2016A 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" update 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 ("FFY") 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. This adjustment resulted in a 1% reduction in the market basket update for FFY 2012, a 0.7% reduction in the market basket update for FFY 2013, and a 0.5% reduction for FFY 2014. The Centers for Medicare and Medicaid Services ("CMS") instituted a 0.5% reduction for FFY 2015 and has proposed a 0.5% reduction for FFY 2016. 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 FFY 2013, Medicare inpatient payments to hospitals were reduced by 1%, for FFY 2014 the payments were reduced by 1.25%, for FFY 2015 the payments were reduced by 1.5%, and for FFY 2016 the payments were further reduced by 1.75%, progressing to 2% by FFY 2017. For each FFY, the total amount collected from these reductions is pooled and used to fund payments to hospitals that meet "value-based purchasing" standards for treatment of certain conditions. While the reductions may be partially offset or recovered in full if a hospital satisfies the specified quality metrics, the recovery amounts may be delayed.

The CMS's 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 FFY 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 FFY. 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 so-called "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. The New York State Department of Health ("NYSDOH") issued regulations, effective February 1, 2012, 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 FFY 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 FFY 2014, a hospital's payments could have been reduced by a maximum of 2%, which increased to 3% for FFY 2015 and FFY 2016. In addition, the ACA allows for expansion of the conditions measured for readmission rate penalties beginning in FFY 2015, pursuant to which CMS expanded the applicable conditions for FFY 2015 to include two additional conditions.

DSH Funding. Beginning in FFY 2014, hospitals, including NYUHC, that receive supplemental disproportionate share hospital ("DSH") payments from Medicare (i.e., those hospitals that care for a disproportionate share of Medicaid beneficiaries and certain other patient populations) have had their traditional DSH payments reduced by up to 75% . The portion that represents the 75% is placed into a nationwide pool. This pool is then reduced by a certain amount that is contingent on the decrease in the number of uninsured persons throughout the United States. Once the national pool is determined, the dollars are redistributed to each DSH qualifying hospital based on a new formula that utilizes Medicaid days and supplemental security income ("SSI")

days. Separately, beginning in FFY 2014, Medicaid DSH allotments to each state have been 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 includes significant changes to federal payments to Medicare Advantage plans. Federal payments to Medicare Advantage plans were frozen for FFY 2011. Beginning in FFY 2012, federal payments to Medicare Advantage plans were tied to the level of fee-for-service spending in the applicable county, resulting in a reduction below the FFY 2011 level for certain Medicare Advantage plans. The revised payment methodology will be phased in through 2016 and will be in full effect in all counties as of 2017. Payment to plans also will be based on achievement of quality indicators. Medicare's new payment methodology could result in lower payments to plans, which could impact the plans' scope of coverage or cause plan sponsors to negotiate lower payments to providers.

The ACA has been subject to opposition in the political and judicial arenas. 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. Although the Supreme Court's ruling removed a significant source of uncertainty surrounding the implementation of federal health care reform, judicial challenges, legislative repeal by Congress or executive action by a new presidential administration remains a possibility. Additionally, many of the reductions in payment to health care providers included in the ACA have yet to take full effect, and the anticipated increased in health care coverage as a result of Medicaid expansion, the creation of health insurance exchanges, subsidies for the purchase of insurance and the "individual mandate" under the ACA has not yet been realized. The practical consequences of the ACA, as well as of other future federal and state actions to cut costs and change the health care delivery system, cannot be foreseen.

Legislative, Regulatory and Contractual Matters Affecting Revenue

The health care industry is heavily regulated by the 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 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. In addition, noncompliance with such laws and regulations and new interpretations of such authority could result in fines, penalties and exclusion from such programs.

Legislation is periodically introduced in Congress and in the New York Legislature that could result in limitations on NYUHC's revenue, third-party payments, and costs or charges, or that could result in increased

competition or an increase in the level of indigent care required to be provided by NYUHC. From time to time, legislative proposals are made at the federal and state level to engage in broader reform of the health care industry, including proposals to promote competition in the health care industry, to contain health care costs, to provide national health insurance and to impose additional requirements and restrictions on health care insurers, providers and other health care entities. The effects of future reform efforts on NYUHC cannot be predicted.

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, the 2014-2015 Final Budget, passed by the New York legislature on March 31, 2014, the 2015-2016 Final Budget, passed by the New York legislature on April 1, 2015, and the 2016-2017 Final Budget, passed by the New York legislature on April 1, 2016, 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 populations; 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 included 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 included 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. The 2015-2016 Final Budget includes provisions to modify the calculation of the global cap to account for additional State costs or savings that result from implementation of the Basic Health Plan.

Each of the Final Budgets for 2011-2012 through 2015-2016 assume a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index (currently 3.4%) and grant NYSDOH and the State Department of Budget authority to hold Medicaid spending to this rate. If spending is projected to exceed the budget cap, NYSDOH and the State Department of Budget have the authority 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 global spending cap has increased in each of the last five years from $15.9 billion for the 2012-2013 Final Budget to $18 billion for the 2016-2017 Final Budget. In each of the last five years, Medicaid spending has been below the global spending cap. Although successful in meeting the budget cap in the first five years, higher-than-average Medicaid enrollment threatens the ability of NYSDOH to continue to meet the ambitious savings goal in future years.

Although Final Budgets for 2011-2012 through 2016-2017 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 NYSDOH 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 contained many significant changes to the Medicare program, including the availability of prescription drug coverage. The Deficit Reduction Act of 2005 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 "Bondowners' Risks and Matters Affecting the Health Care Industry – Health Care 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. Historically, the physician fee schedule was adjusted to the Sustainable Growth Rate ("SGR"), which was linked to changes in the United States Gross Domestic Product over a ten-year period. On April 16, 2015, the Medicare Access and CHIP Reauthorization Act of 2015 was signed into law. This act replaces the SGR with a fixed 0.5% annual adjustment through calendar year 2019. For years 2020-2025, the base rates will be maintained and physician compensation will be subject to adjustment under the Merit-Based Incentive Payment System ("MIPS"). Beginning in 2026, physicians who receive a significant portion of revenues through alternative payment models will receive a 0.75% increase, while physicians who do not participate in these alternatives will receive an increase of 0.25%.

Under MIPS, physicians will be assigned a composite performance score based on measures of quality, resource use, meaningful use of electronic health records, and clinical practice improvement activities. A threshold performance score will be set annually by DHHS at the mean or median of all composite scores for a prior annual performance period. Performance exceeding the threshold will result in a positive adjustment, performance below the threshold will result in a negative adjustment, and performance at the threshold will result in no adjustment.

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.

Annual Cost Reports. All hospitals participating in the Medicare and Medicaid programs must meet specific financial reporting requirements, which involve submission of annual cost reports to identify expenses associated with the services provided to Medicare and Medicaid beneficiaries. These cost reports are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due. The audit process may be prolonged, and it may take several years to reach the final determination of allowable amounts.

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 or meet the Conditions of Participation in the future.

CMS also instituted an initiative to require all Medicare-certified providers, including hospitals, to revalidate their Medicare enrollment records in order for CMS to implement new screening criteria mandated by the ACA. Under this initiative, Medicare contractors send mandatory revalidation requests to providers, who 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 Medicare provider agreement, which would materially adversely affect the hospital's patient services revenues and financial performance. CMS established staggered due dates by which providers must revalidate.

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. DHHS delayed the compliance date several times, with the ultimate deadline set at October 1, 2015. ICD-10 provides a common approach to the classification of diseases and other health problems, enabling the United States to align with other nations to better share medical information, diagnosis, and treatment codes. NYUHC has fully implemented ICD-10.

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. Medicare and Medicaid Managed Care plans and commercial payors also conduct routine and targeted pre- and post-payment audits of claims that may result in recoupment or overpayment demands.

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.

New York State's program for mandatory Medicaid managed care enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by CMS in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. Mandatory Medicaid managed care enrollment programs were instituted throughout New York City, and a significant portion of the Medicaid eligible population has been enrolled in managed care plans. Since 1997, the Partnership Plan 1115 Waiver has been extended several times, most recently as of August 2011, effective through December 31, 2014. On December 31, 2013, the NYSDOH requested to extend the Partnership Plan for an additional five years, from January 1, 2015 through December 31, 2019, in order for the state to reinvest federal savings generated by the Medicaid Redesign Team reform initiatives. CMS granted a temporary extension to New York's Partnership Plan 1115 Waiver on December 31, 2014, effective through March

31, 2015. Several subsequent extensions have been granted, and most recently, on March 31, 2016, CMS granted a temporary extension effective through April 30, 2016. The latest amendments to the Partnership Plan 1115 Waiver have further extended the groups eligible and required to enroll in Medicaid managed care, which will likely result in an increase in Medicaid managed care admissions.

As of April 14, 2014, The Partnership Plan was amended to allow the State to reinvest over a five-year period up to $8 billion of the $17.1 billion in federal savings generated by State Medicaid reforms. Up to $6.42 billion of this amount will be applied to the Delivery System Reform Incentive Payment ("DSRIP") Program, which has a goal of reducing avoidable Medicaid hospitalizations and hospital emergency visits by 25% over the next five years. The DSRIP payments are to be made to providers who collaborate in some fashion to achieve this goal and are to be paid based on performance. NYUHC is the lead hospital in NYU Lutheran Performing Provider System (the "DSRIP PPS"), a network of hospitals, primary care practices and other healthcare providers participating in DSRIP. The future impact of the 1115 Waiver, DSRIP payments to be received by the DSRIP PPS and any potential loss in revenue from decreased hospitalizations and emergency room utilization on the financial performance of NYUHC cannot be determined at this time. The allocation of any DSRIP awards among the participants in the DSRIP PPS has not yet been determined, and it is expected that the allocations may vary by award category, clinical or operational performance, and various other factors. As a result, management cannot determine at this time what portion, if any, of these awards may ultimately be paid to NYUHC.

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 governmental payors, insurers, and MCOs 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 payors 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. 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 group," 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 that may be allocated to such participating employer may be material.

Changes in generally accepted accounting principles which took effect for NYUHC's fiscal year ended August 31, 2011 require that 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). For further information, see "New Authoritative Pronouncements," under footnote 1 in Appendix B-1 to the Official Statement.

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 Inspector General of the United States DHHS (the "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 $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, significant monetary penalties and exclusion.

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.

Stark is a strict liability statute, which means intent to violate the law is not required. 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 (the "OMIG") 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 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 National Institutes of Health ("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 the billing of the Medicare Program for care provided to patients enrolled in clinical trials that are 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 included 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 included: $19 billion to establish a framework for the implementation of a nationally based health information technology ("HIT") program, including incentive payments to hospitals which commenced in FFY 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 are subject. Since FFY 2011, compliant physicians and acute care hospitals that are also "meaningful users" of EHRs are eligible for Medicare and Medicaid incentive payments generally. NYUHC participates in this EHR incentive program and is a "meaningful user." 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 had not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments reduced. 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 the regulations of NYSDOH. 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 NYSDOH 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 Andrew 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 the use of State funds for executive compensation to $199,000 annually per executive and requires that 75% (increased to 85% on April 1, 2015) of state-authorized payments be used for direct care or services, rather than administrative costs. In March 2013, NYSDOH published a third version of proposed regulations to implement the Executive Order, which became effective July 1, 2013. Several organizations filed lawsuits in three different counties challenging the validity of the regulations and the Executive Order. In a decision dated April 8, 2014, the Nassau County trial court struck down the Executive Order. On July 29, 2014, the Suffolk County Supreme Court upheld the Executive Order. In November 2015, the Albany County Supreme Court upheld the Executive Order generally, but struck down provisions that prevented covered providers from using non-state dollars to pay covered executives more than $199,000. On December 30, 2015, the New York State Appellate Division, Second Department resolved the Nassau and Suffolk County court split by upholding the regulations. On February 23, 2016, the Court of Appeals of New York dismissed an appeal of this decision. However, an appeal of the Albany County Supreme Court decision is currently pending before the New York State Appellate Division, Third Department. Whether the Executive Order will remain in effect and the way in which the final regulations may impact NYUHC remains 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 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 benefit information, 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 result in enhanced 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.

Internal Revenue Service Examination of Compensation Practices and Community Benefit

The IRS has also 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 national health reform legislation 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.

Internal Revenue Code Limitations

Private Inurement and Excess Benefit Transactions. The Internal Revenue Code of 1986, as amended (the "Code"), contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of health care facilities for not-for-profit organizations, including facilities generating taxable income. Consequently, the Code could adversely affect NYUHC's ability to finance its future capital needs and could have other adverse effects on NYUHC that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

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 impact 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 a myriad of 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 could 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.

The Department of Health and Human Services Office for Civil Rights, the agency tasked with enforcement of HIPAA, HITECH and the HIPAA Omnibus Rule (collectively the "HIPAA Laws"), has increasingly pursued enforcement actions and penalties for violations of these regulations. The obligations imposed by the HIPAA Laws 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 have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, 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.

Any affiliation, merger, or similar transaction may involve a period of integration between or among the parties to such transaction. There can be no assurance that any such integration will be successful and may result in material adverse consequences to the operations or financial condition of NYUHC.

Information Technology

EHR is increasingly being used in clinical operations, including the conversion from paper to EHR, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers. NYUHC has implemented the Epic electronic medical record ("EMR") system throughout inpatient and ambulatory settings across the Manhattan Campus. For more information, see "PART 7 – NYU HOSPITALS CENTER - Strategic Initiatives" of the Official Statement. Management intends to implement the Epic EMR system at the Brooklyn Campus in late 2016. Management views the Epic implementation as an important strategic investment that will provide NYUHC with a platform for continuous process and quality improvement. Management is working with Epic to achieve a smooth implementation of Epic at the Brooklyn Campus, however, cash flow interruptions may be possible during implementation and may have an adverse impact on the financial condition of NYUHC.

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 "PART 7 – NYU HOSPITALS CENTER - Professional and General Liability Insurance Program."

Funding from the Federal Emergency Management Agency ("FEMA")

NYU Langone Medical Center was awarded approximately $1.1 billion from FEMA for Superstorm Sandy-related repairs. For more information on FEMA funds received to date, see "PART 7 – NYU HOSPITALS CENTER - Liquidity and Investments- Effects of Superstorm Sandy." 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 December 19, 2018. See PART 7 – NYU HOSPITALS CENTER - "Licensure and Accreditation." 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.

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 2016A 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 Series 2016A 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 licenses for the facilities. Further, the dollar value secured by the Mortgages is less than the aggregate par amount of all Obligations outstanding under the Master Trust Indenture.

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 Series 2016A Bonds. See "PART 1 - INTRODUCTION – The Mortgages" and "– Obligations under the Master Indenture – The Mortgages."

Enforceability of Lien on Gross Receipts

The Indenture Agreement provides that NYUHC shall make payments to the Trustee sufficient to pay the Series 2016A Bonds and the interest thereon as the same become due. The obligation of NYUHC to make such payments is secured by the Series 2016A 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 Trust Indenture. Gross Receipts paid by NYUHC to other parties in the ordinary course might no longer be subject to the lien on the Master Trust 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 2016A 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 2016A Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Series 2016A 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 2016A 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 2016A 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 2016A Bonds and an acceleration of the maturity of the Series 2016A 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 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 2016A 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 2016A Bonds described herein 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 2016A 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 2016A 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 2016A 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 commencement of a bankruptcy case by or against NYUHC 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, including Additional Bonds. Such indebtedness would increase NYUHC's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2016A Bonds.

Risks Related to 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.

Risks Related to Outstanding Line of Credit Obligations.

NYUHC has four unsecured lines of credit totaling $500.0 million. As of February 29, 2016, NYUHC had an aggregate outstanding balance on these lines of approximately $77.1 million. Each line of credit is subject to the risk that the applicable lender may not renew or in certain circumstances may terminate the line of credit. In the event of non-renewal or termination of a line of credit by the applicable lender, NYUHC will no longer be permitted to borrow from the line of credit and would be obligated to repay all unpaid principal, together with accrued and unpaid interest, of the line of credit.

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 2016A 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, 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 market value of the Series 2016A Bonds and 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 March 31, 2016, DASNY had approximately $47.3 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 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 45 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 term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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 expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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 expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

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 Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. 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. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski 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.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia 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. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, 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 Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York,* Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. 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. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr.

Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

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 of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU, CPA, J.D. is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, and insurance, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

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.

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 of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, and engineering, as well as 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.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

CAPRICE G. SPANN is the Managing Director of Specialized Services and Client Solutions. Ms. Spann is responsible for overseeing information services, environmental services, real property management and the integration of sustainability programs with respect to DASNY's projects and in its business processes. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

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, 2015. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 10 - LEGALITY OF THE SERIES 2016A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2016A 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 2016A Bonds.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A Bonds is less than the amount to be paid at maturity of such Series 2016A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2016A 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 2016A 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 2016A Bonds is the first price at which a substantial amount of such maturity of the Series 2016A 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 2016A Bonds accrues daily over the term to maturity of such Series 2016A 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 2016A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2016A Bonds. Beneficial Owners of the Series 2016A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2016A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2016A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2016A Bonds is sold to the public.

Series 2016A 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 2016A 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 2016A 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 2016A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2016A 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 2016A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016A 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 2016A Bonds is substantially related to the Institution's charitable purpose under Section 513(a) of the Code, and (iii) New York University's intended use of the Institution's facilities to be refinanced by the Series 2016A Bonds is 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, General Counsel of the Institution/Senior Counsel of the School of Medicine of New York University and General Counsel to New York University cannot give and have not 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 2016A 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 2016A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2016A Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2016A 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 amounts treated as interest on, the Series 2016A 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 2016A 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, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2016A 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 2016A Bonds. Prospective purchasers of the Series 2016A 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 2016A 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, the

Institution, or New York University 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 2016A Bonds ends with the issuance of the Series 2016A 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 2016A 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 2016A 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 2016A Bonds, and may cause the Authority, the Institution or the Beneficial Owners to incur significant expense.

PART 13 - STATE NOT LIABLE ON THE SERIES 2016A 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 2016A 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 2016A 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 2016A Bonds.

PART 16 - LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2016A 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 2016A 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 2016A Bonds or questioning or affecting the validity of the Series 2016A Bonds or the proceedings and authority under which the Series 2016A Bonds are to be issued and offered.

PART 17 - UNDERWRITING

J.P. Morgan Securities LLC, on behalf of the Underwriters for the Series 2016A Bonds, has agreed, subject to certain conditions, to purchase the Series 2016A Bonds from DASNY at a purchase price of $180,048,740.87 (reflecting an underwriters' discount of $960,028.18 and a net original issue premium of $23,738,769.05), and to make a public offering of the Series 2016A 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 2016A Bonds if any of the Series 2016A 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 2016A Bonds may be changed by the Underwriters.

In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as the Underwriters) for the distribution of the Series 2016A Bonds at the original issue prices. Such agreements generally provide that the Underwriters will share a portion of its underwriting compensation or selling concession with such broker-dealers.

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. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Institution for which they have received or will receive customary fees and expenses.

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.

The Series 2016A 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 will enter into a written agreement (the "Continuing Disclosure Agreement") with Digital Assurance Certification LLC ("DAC"), disclosure dissemination agent, the Trustee and DASNY. The proposed form of the Continuing Disclosure Agreement is attached hereto as "Appendix G – Proposed Form of Continuing Disclosure Agreement."

With respect to the Institution's previous undertakings, the annual reports of the Institution previously filed for the fiscal years ended August 31, 2011, 2012, 2013, and 2014, 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 supplements to the operating information previously filed in the annual reports for the fiscal years ended August 31, 2011, 2012, 2013, and 2014.

PART 19 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture and the Series 2016A Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture and the Series 2016A Obligation for full and complete details of their provisions. Copies of the Resolution, the Series 2016A Resolution, the Loan Agreement, the Mortgages, the Master Indenture and the Series 2016A 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 Municipal Securities Rulemaking Board ("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 2016A Bonds are fully set forth in the Resolution and the Series 2016A Resolution. Neither any advertisement of the Series 2016A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2016A 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 and Proposed Amendments," "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.

“Appendix G – Proposed Form of Continuing Disclosure Agreement” has been prepared by DASNY.

The NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014 included in “Appendix B-1” have been audited by PricewaterhouseCoopers, LLP, independent accountants, as stated in their report appearing therein. The Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors’ Report included in “Appendix B-2” have been audited by Deloitte & Touche LLP independent accountants, as stated in their report appearing therein. The NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015 included in “Appendix B-3” 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 – Purpose of the Issue,” “PART 1 – INTRODUCTION – The Series 2016A Bonds,” “PART 1 – INTRODUCTION – NYU Hospitals Center,” “PART 1 – INTRODUCTION – Payment of the Bonds,” “PART 1 – INTRODUCTION – Security for the Bonds,” “PART 1 – INTRODUCTION – The Mortgages,” “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS,” “PART 3 – THE SERIES 2016A BONDS” (except with respect to the Book-Entry Only System), “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 – BONDOWNERS’ RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY,” “PART 12 – TAX MATTERS” (with respect to underlying factual matters set forth therein), “PART 18 – CONTINUING DISCLOSURE,” “Appendix B-1 – NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014,” “Appendix B-2 – Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors’ Report,” “Appendix B-3 – NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015” and “Appendix G – Proposed Form of Continuing Disclosure Agreement” (only insofar as the Continuing Disclosure Agreement relates to the obligations of the Institution). The Institution shall certify as of the date hereof and as of the date of delivery of the Series 2016A 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/ Gerrard P. Bushell
Authorized Officer

Appendix A

Certain Definitions

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 2016A Bond Series Certificate executed in connection with the original issuance of the Series 2016A 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 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 2006A and a portion of the Authority's NYU Hospitals Center Revenue Bonds, Series 2011A being refunded with the proceeds of the Series 2016A 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 2016A Bonds means the Authority's NYU Hospitals Center Revenue Refunding Bonds, Series 2016A 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-1

NYU Hospitals Center Consolidated Financial Statements August 31, 2015 and 2014

NYU Hospitals Center

Consolidated Financial Statements
August 31, 2015 and 2014

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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, 2015 and 2014, and the related consolidated statements of operations, 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 $408.0 million and $353.8 million as of August 31, 2015 and 2014, respectively, and total revenues of $75.0 million and $72.9 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

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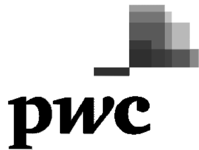

the effectiveness of the Hospitals Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation 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, based on our audits and the report of other auditors, 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, 2015 and 2014, and the results of their operations, changes in net assets and 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, changes in net assets 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, changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

December 11, 2015

NYU Hospitals Center
Consolidated Balance Sheets
August 31, 2015 and 2014

(in thousands)	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 109,739	$ 323,459
Marketable securities	3,710	3,731
Assets limited as to use	12,557	40,796
Assets limited as to use - board designated	100,223	55,512
Patient accounts receivable, less allowances for uncollectable (2015 – $81,456 and 2014 – $79,552)	314,627	303,479
Contributions receivable	82,728	67,904
Insurance receivables - billed	50,557	42,405
Due from related organizations, net	4,931	-
Inventories	33,421	32,193
Disaster recovery receivable	43,572	23,402
Other current assets	55,089	61,134
Total current assets	811,154	954,015
Marketable securities, less current portion	22,913	24,087
Assets limited as to use, less current portion	356,567	378,737
Assets limited as to use - board designated, less current portion	591,220	456,501
Contributions receivable, less current portion	74,916	106,171
Other assets	18,406	18,609
Disaster recovery receivable, less current portion	63,199	106,336
Property, plant and equipment, net	2,271,892	1,958,347
Total assets	$ 4,210,267	$ 4,002,803
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 42,612	$ 36,363
Accounts payable and accrued expenses	146,244	176,425
Accounts payable and accrued expenses - disaster-related	6,265	42,166
Accrued salaries and related liabilities	49,945	46,840
Accrued interest payable	11,332	9,754
Current portion of accrued postretirement liabilities	2,045	1,916
Deferred revenue - disaster recovery	16,278	64,886
Deferred revenue - other	31,479	23,709
Due to related organizations, net	-	2,269
Other current liabilities	56,366	44,841
Total current liabilities	362,566	449,169
Long-term debt, less current portion	1,479,592	1,390,680
Outstanding losses and loss adjustment expenses	278,452	233,239
Accrued pension liabilities	130,385	96,594
Accrued postretirement liabilities, less current portion	72,773	72,646
Other liabilities	155,494	199,640
Total liabilities	2,479,262	2,441,968
Net assets		
Unrestricted	1,261,036	1,031,365
Temporarily restricted	456,924	516,425
Permanently restricted	13,045	13,045
Total net assets	1,731,005	1,560,835
Total liabilities and net assets	$ 4,210,267	$ 4,002,803

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

NYU Hospitals Center
Consolidated Statements of Operations
Years Ended August 31, 2015 and 2014

(in thousands)	**2015**	**2014**
Operating revenue		
Net patient service revenue, less provision for bad debts (2015 - $11,348, 2014 - $11,611)	$ 2,453,875	$ 2,039,503
Premiums earned	47,203	39,356
Contributions	4,930	6,190
Endowment distribution and return on short-term investments	17,606	21,194
Commercial insurance recoveries	-	9,232
Disaster recovery reimbursement	5,669	97,098
Other revenue	99,837	110,836
Net assets released from restrictions for operating purposes	7,929	23,044
Total operating revenue	2,637,049	2,346,453
Operating expenses		
Salaries and wages	795,591	736,018
Employee benefits	281,434	257,451
Supplies and other	1,149,037	971,323
Depreciation and amortization	113,519	98,565
Interest	62,588	46,166
Disaster related activities	6,003	22,139
Total operating expenses	2,408,172	2,131,662
Gain from operations	228,877	214,791
Other items		
(Loss) gain on impairments or disposals of property, plant and equipment	(43)	2,771
Loss on extinguishment	(27,074)	-
Disaster recovery reimbursement for capital	31,042	73,374
Grants for capital assets acquisitions	50	140
Investment return (less than) in excess of endowment distribution, net	(8,278)	8,023
Mission based payment to NYUSoM	(50,000)	(30,000)
Excess of revenue over expenses	174,574	269,099
Other changes in unrestricted net assets		
Changes in pension and postretirement obligations	(21,323)	(22,854)
Net assets released from restrictions for capital purposes	7,332	15,040
Net assets released from restrictions for hazard mitigation	69,088	12,000
Net increase in unrestricted net assets	$ 229,671	$ 273,285

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, 2015 and 2014

(in thousands)	Year Ended August 31, 2015 Unrestricted	Year Ended August 31, 2015 Temporarily Restricted	Year Ended August 31, 2015 Permanently Restricted	Year Ended August 31, 2015 Total	Year Ended August 31, 2014 Unrestricted	Year Ended August 31, 2014 Temporarily Restricted	Year Ended August 31, 2014 Permanently Restricted	Year Ended August 31, 2014 Total
Net assets at beginning of year	$ 1,031,365	$ 516,425	$ 13,045	$ 1,560,835	$ 758,080	$ 282,204	$ 13,038	$ 1,053,322
Excess of revenue over expenses	174,574	-	-	174,574	269,099	-	-	269,099
Net assets released from restrictions for operations	-	(7,929)	-	(7,929)	-	(23,044)	-	(23,044)
Net assets released from restrictions for capital purposes	7,332	(7,332)	-	-	15,040	(15,040)	-	-
Net assets released from restrictions for hazard mitigation	69,088	(69,088)	-	-	12,000	(12,000)	-	-
Change in pension and postretirement obligation	(21,323)	-	-	(21,323)	(22,854)	-	-	(22,854)
Investment return, net	-	(133)	-	(133)	-	2,941	-	2,941
Appropriation of endowment distribution	-	(1,041)	-	(1,041)	-	(1,038)	-	(1,038)
Disaster recovery award for future mitigation	-	-	-	-	-	213,253	-	213,253
Gifts, bequests and other items	-	26,022	-	26,022	-	69,149	7	69,156
Total changes in net assets	229,671	(59,501)	-	170,170	273,285	234,221	7	507,513
Net assets at end of year	$ 1,261,036	$ 456,924	$ 13,045	$ 1,731,005	$ 1,031,365	$ 516,425	$ 13,045	$ 1,560,835

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

NYU Hospitals Center
Consolidated Statements of Cash Flows
Years Ended August 31, 2015 and 2014

(in thousands)	**2015**	**2014**
Cash flows from operating activities		
Changes in net assets	$ 170,170	$ 507,513
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	113,519	98,565
Loss (gain) on impairments or disposal of property plant and equipment	43	(790)
Loss on extinguishment	3,738	-
Patient care bad debt expense	11,348	11,611
Post-retirement and pension benefit adjustment	21,323	12,843
Contributions restricted for permanent investment and capital	(30,493)	10,011
Proceeds from disaster recovery award for future risk mitigation	-	(46,026)
Donated securities	-	(106,917)
Write-off of contribution receivable	1,773	1,252
Net unrealized and realized loss (gain) on investments and assets limited as to use	5,931	(18,693)
Changes in operating assets and liabilities		
Patient accounts receivable, net	(22,496)	(56,690)
Nonendowment and noncapital contributions receivable	14,658	(675)
Federal grant - disaster recovery receivable	22,967	(119,297)
Commercial insurance receivable	-	(1,363)
Insurance receivables – billed and unbilled	(8,152)	(5,154)
Accounts payable and accrued expenses	(75,548)	533
Accounts payable and accrued expenses- disaster related	(18,852)	19,574
Accrued salaries and related liabilities	3,105	11,145
Accrued interest payable	1,578	1,829
Due to related organizations, net	(7,200)	6,424
Outstanding losses and loss adjustment expenses	45,213	17,267
Accrued pension obligation	7,946	674
Accrued postretirement obligation	4,778	2,700
Other operating assets, liabilities and deferred revenue	(25,278)	(82,101)
Net cash provided by operating activities	240,071	264,235
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(355,161)	(545,293)
Purchases of investments	(337,495)	(39,972)
Sales of investments	150,129	24,440
Changes in assets limited as to use, net	5,001	9,153
Insurance proceeds and disaster recovery reimbursement for capital	-	76,361
Net cash used in investing activities	(537,526)	(475,311)
Cash flows from financing activities		
Contributions restricted for permanent investment and capital	30,493	46,026
Payments for disaster recovery award for future mitigation	-	106,917
Proceeds from issuance of long-term debt	521,795	150,000
Proceeds from borrowing on lines of credits	-	150,000
Payments of deferred financing costs	(3,512)	-
Payments on line of credit	(200,000)	-
Principal payments on long-term debt and capital leases	(265,041)	(81,269)
Net cash provided by financing activities	83,735	371,674
Net (decrease) increase in cash and cash equivalents	(213,720)	160,598
Cash and cash equivalents		
Beginning of year	323,459	162,861
End of year	$ 109,739	$ 323,459
Supplemental information		
Cash paid for interest	$ 89,297	$ 57,198
Assets acquired under capital leases	38,317	19,852
Noncash acquisitions of property, plant and equipment	33,765	15,869

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

1. Organization and Summary of Significant Accounting Policies

Organization

NYU Hospitals Center ("Hospitals Center") operates the 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, 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, the Ambulatory Care Center, the Center for Musculoskeletal Care and Hassenfeld Children's Center.

In October 2014, the Hospitals Center commenced providing emergency department ("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 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.

CCC550 Insurance, SCC. ("CCC550") is solely owned by the Hospitals Center and provides professional liability insurance to the Hospitals Center and to physicians employed by the NYU School of Medicine ("NYUSoM"). CCC550 is subject to taxation in accordance with section 29 of the Exempt Insurance Act in Barbados.

On April 1, 2015, the Hospitals Center a completed an affiliation agreement with Lutheran Medical Center ("Lutheran"), whereby NYU Langone Health System ("Health System"), a newly-formed not-for-profit corporation, became the sole corporate member of the Hospitals Center and Lutheran ("Affiliation").

Prior to the Affiliation, New York University (the "University") was the sole corporate member of the Hospitals Center. With the closing of the Affiliation, the University became the sole corporate member of the Health System but did not assume any responsibility or liability for the financial obligations of the Health System. The NYU Board of Trustees appoints the members of the Health System Board, who are the same individuals who serve on the Hospitals Center Board and the NYUSoM Advisory Board.

Lutheran is a 450 bed acute care hospital in Brooklyn, New York. Its wholly owned subsidiaries consist of Lutheran Augustana Center for Extended Care and Rehabilitation, a 240 bed skilled nursing facility; Lutheran CHHA, Inc., a certified home health agency; Community Care Organization, Inc., a licensed home care agency; Shore Hill Housing, Sunset Gardens Housing and Harbor Hill Housing, senior housing projects which provide housing and rent subsidies for people meeting requirements defined by the US Department of Housing and Urban Development; and Sunset Bay Community Services, Inc., which provides senior services and day care services. These entities are all Section 501(c)(3) organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State and City income taxes.

In December 2015, Hospitals Center and Lutheran received a Certificate of Need approval from the New York State Department of Health for a full asset merger, with the Hospitals Center as the successor entity. The merger will become effective upon the receipt of regulatory approvals, which is expected to be completed during fiscal year 2016.

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 the University, NYUSoM or the Health System.

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.

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.

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, 2015 and 2014.

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 and are Level 1. 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.

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, 2015 and 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.

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, 2015 and 2014, this liability was approximately $14.1 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.

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. Descriptions of the net assets classifications are as 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.

During the years ended August 31, 2015 and 2014, the Hospitals Center received contributed securities of $23.4 million and $49.7 million, respectively, which were subsequently liquidated.

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 $30.1 million and $24.3 million for fiscal years 2015 and 2014. This equated to an approximate cost of $8.6 million and $7.6 million for the years ended August 31, 2015 and 2014, respectively, which is based on a ratio of cost to charges during the year.

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 $10.9 million and $8.5 million for 2015 and 2014, 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, 2015 and 2014, respectively, the Hospitals Center recorded provisions for bad debts of $11.3 million and $11.6 million, respectively.

Performance Indicator
The consolidated statements of operations include excess 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, or for hazard mitigation.

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 (losses) gains on disposals of property, plant and equipment, disaster recovery reimbursement for capital, grants for capital asset acquisitions, investment return (less than) in excess of 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.

New Authoritative Pronouncements
In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Hospitals Center is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. In fiscal year 2015, the Hospitals Center early adopted this standard, and the updated presentation is reflected in the consolidated balance sheets as of August 31, 2015 and 2014.

In May 2015, the FASB issued guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires entities to present investments that use net asset value (NAV) as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 3. The standard is effective for fiscal years beginning after

December 15, 2017. The Hospitals Center is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

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, 2015 and 2014.

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 $29.7 million and $17.2 million for 2015 and 2014, 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, 2015 and 2014.

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.

NonMedicare 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 nonMedicare 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 nonMedicare 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, 2015 and 2014 were $65.6 million and $73.8 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 by the Medical fiscal intermediary through December 31, 2010, however only cost reports through December 31, 2002, and the year ended December 31, 2009 have been finalized, with settlement payments made or received by the Hospitals Center.

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.

Patient service revenue, net of contractual allowances and discounts and the provision for bad debts is as follows for the years ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Gross charges	$ 8,509,199	$ 6,705,405
Allowances	(6,043,976)	(4,654,291)
Patient service revenue, net of contractual allowances	2,465,223	2,051,114
Provisions for bad debts	(11,348)	(11,611)
Total net patient service revenue	$ 2,453,875	$ 2,039,503

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, 2015 and 2014 are as follows:

	2015	2014
Medicare	15 %	17 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	12 %	11 %
Blue Cross	25 %	24 %
Commercial insurance and managed care	47 %	47 %
	100 %	100 %

The mix of receivables from patients and third-party payors at August 31, 2015 and 2014 are as follows:

	2015	2014
Medicare	10 %	12 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	18 %	17 %
Blue Cross	21 %	21 %
Commercial insurance and managed care	50 %	49 %
	100 %	100 %

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, 2015 and 2014, is set forth in the following tables:

	August 31, 2015			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Investments in University Endowment pool	$ -	$ -	$ 26,623	$ 26,623
Total marketable securities	$ -	$ -	$ 26,623	26,623
Less: Current portion				(3,710)
Total long term marketable securities				$ 22,913

	August 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets limited as to use				
U.S. Government and other obligations	$ 25,575	$ 6,827	$ -	$ 32,402
Fixed income	559,354	-	-	559,354
Equity	31,866	-	-	31,866
Investments held by CCC550	22,292	298,134	-	320,426
Total noncash assets limited as to use	$ 639,087	$ 304,961	$ -	944,048
Cash and cash equivalents				116,519
Total assets limited as to use				1,060,567
Less: Current portion				(112,780)
Total long term assets limited as to use				$ 947,787

	August 31, 2014			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Investments in University Endowment pool	$ -	$ -	$ 27,818	$ 27,818
Total marketable securities	$ -	$ -	$ 27,818	27,818
Less: Current portion				(3,731)
Total long term marketable securities				$ 24,087

	August 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets limited as to use				
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	$ 525,644	$ 285,492	$ -	811,136
Cash and cash equivalents				120,410
Total assets limited as to use				931,546
Less: Current portion				(96,308)
Total long term assets limited as to use				$ 835,238

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, 2015 and 2014:

(in thousands)	**2015**	**2014**
Fair value at beginning of year	$ 27,818	$ 25,739
Realized gains	967	1,170
Unrealized (loss) gains	(751)	2,359
Disposals	(1,411)	(1,450)
Fair value at end of year	$ 26,623	$ 27,818

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. Distributions from endowment to support operations (approximately 5.0% in 2015 and 2014) are calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index (CPI). 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 (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, 2015 and 2014:

(in thousands)	**2015**	**2014**
Dividends and interest	$ 14,164	$ 12,502
Realized and unrealized (losses) gains, net	(5,931)	18,693
Investment expenses	(79)	(75)
Total investment return, net	$ 8,154	$ 31,120
Endowment distribution and return on short-term investments	$ 17,606	$ 21,194
Investment return less than endowment distribution, net	(8,278)	8,023
Temporarily restricted investment return, net	(133)	2,941
Temporarily restricted appropriation of endowment distribution	(1,041)	(1,038)
Total investment return, net	$ 8,154	$ 31,120

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

(in thousands)	**2015**	**2014**
Externally designated		
Assets held under long-term debt agreements (Note 6)		
Construction funds	$ 6,907	$ 34,284
Debt service funds	5,729	6,515
Debt service reserve funds	19,784	39,552
	32,420	80,351
Assets held by CCC550 (Note 7)		
Cash	22,292	22,984
Bond fund	298,134	251,312
	320,426	274,296
Total assets limited as to use- externally designated	352,846	354,647
Assets limited as to use- other restrictions (Note 15)	16,278	64,886
Less: Current portion	(12,557)	(40,796)
Long term portion	$ 356,567	$ 378,737
Total assets limited as to use - board designated	$ 691,443	$ 512,013
Less: Current portion	(100,223)	(55,512)
Long term portion	$ 591,220	$ 456,501

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 $9.1 million and $7.4 million at August 31, 2015 and 2014, respectively.

The anticipated payments of the receivables are as follows:

(in thousands)	2015	2014
Amounts to be collected in		
Less than one year	$ 82,728	$ 67,904
One to five years	71,287	94,486
More than five years	21,247	26,012
	175,262	188,402
Discount	(8,541)	(6,976)
Allowance for uncollectible amounts	(9,077)	(7,351)
Contributions receivable, net	$ 157,644	$ 174,075

Contributions receivable activity for the years ended August 31, 2015 and 2014 was as follows:

(in thousands)	2015	2014
Contributions receivable at beginning of year, net	$ 174,075	$ 174,652
Add: Discount and allowance for uncollectables	14,328	26,132
Contributions receivable at beginning of year, gross	188,403	200,784
New pledges received (undiscounted)	22,709	53,715
Adjustments and write-offs	(1,773)	(1,252)
Pledge payments received	(34,077)	(64,845)
	175,262	188,402
Deduct discount to present value and allowance for uncollectables	(17,618)	(14,327)
Contributions receivable at end of year, net	$ 157,644	$ 174,075

Conditional promises to give, not included in these financial statements, were $70.9 million and $72.7 million at August 31, 2015 and 2014, respectively.

Expenses related to fundraising activities were $2.4 million and $2.8 million for the years ended August 31, 2015 and 2014, respectively.

5. Property, Plant and Equipment

A summary of property, plant and equipment is as follows at August 31, 2015 and 2014:

	2015	2014
Land and improvements	$ 39,025	$ 39,025
Buildings and improvements	1,778,779	1,561,680
Fixed and movable equipment	535,814	446,902
	2,353,618	2,047,607
Less: Accumulated depreciation	845,909	732,549
	1,507,709	1,315,058
Capital projects in progress	764,183	643,289
Property, plant and equipment, net	$ 2,271,892	$ 1,958,347

Depreciation expense for the years ended August 31, 2015 and 2014 was $113.7 million and $97.2 million, respectively.

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

6. Long-Term Debt

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

(in thousands)	2015	2014
Series 2006A [a]	$ 78,195	$ 84,440
Series 2007A [b]	-	141,625
Series 2007B [c]	-	83,780
Series 2011A [d]	121,850	125,205
Series 2014 [c]	77,700	-
Series 2014 S2 [b]	115,075	-
Taxable Series 2012A [e]	250,000	250,000
Taxable Series 2013A [f]	350,000	350,000
Taxable Series 2014A [g]	300,000	-
Bank loan [h]	143,750	148,750
Lines of credit [i]	-	200,000
Capital leases and equipment loans [j]	70,684	55,166
	1,507,254	1,438,966
Add: Unamortized bond premium	28,696	4,873
Less: Unamortized bond discount	(5,140)	(6,277)
Less: Deferred financing fees	(8,606)	(10,519)
Less: Current portion	(42,612)	(36,363)
Long term debt, less current portion	$ 1,479,592	$ 1,390,680

Interest expense on long-term debt totaled $62.6 million and $46.2 million for the years ended August 31, 2015 and 2014, respectively. This excludes $5.0 million and $12.9 million of capitalized

interest for the years ended August 31, 2015 and 2014, which is included in property, plant and equipment, net.

a. In October 2006, the Hospitals Center issued through the Dormitory Authority of the State of New York ("DASNY") the Series 2006A revenue bonds totaling $94.6 million. 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 bonds were used to advance refund the Hospitals Center's portion of the outstanding indebtedness on its Series 2000A bonds. 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 had withdrawn from the Obligated Group on October 4, 2006.

b. In January 2015, the Hospitals Center issued through DASNY, Series 2014 S2 bonds totaling $117.3 million. The Series 2014 S2 bonds are payable at varying dates through July 2035 at rates varying from 3.75% to 4.95%. The proceeds from Series 2014 S2 bonds were to be used to advance refund the Hospitals Center's outstanding indebtedness on the Series 2007A bonds. In connection with this transaction, the Hospitals Center recorded a loss on extinguishment of approximately $13.4 million. This loss is primarily the result of an interest prepayment requirement.

c. In December 2014, the Hospitals Center issued through DASNY, Series 2014 bonds totaling $77.7 million. The Series 2014 bonds are payable at varying dates through July 2036 at rates varying from 2.0% to 5.0%. The proceeds from Series 2014 bonds were to be used to advance refund the Hospitals Center's outstanding indebtedness on the Series 2007B bonds. In connection with this transaction, the Hospitals Center recorded a loss on extinguishment of approximately $13.7 million. This loss is primarily the result of an interest prepayment requirement of $9.6 million, and a noncash write off of unamortized deferred financing costs and bond discounts of $4.1 million.

d. 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.

e. 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.

f. 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.

g. In November 2014, NYU Hospitals Center issued Series 2014 Taxable Bonds totaling $300.0 million. The Series 2014 Taxable bonds require annual interest payments through July 2044 at fixed rate of 4.78%. Principle on this bond is payable in full in 2044. The proceeds of the Series 2014 Taxable Bonds are to be used to pay the costs of various construction, renovation and equipping projects, repay certain outstanding lines of credits and to pay working capital and other eligible corporate purposes.

h. 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, 2015 was 1.12 %, and debt outstanding was $143.8 million. The proceeds of the loan are to be used to finance capital and other general corporate purposes.

i. 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 at a rate of LIBOR plus 75 basis points and expires in September 2018. Commitment no. 2 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 70 basis points and expires in April 2016. Commitment no. 3 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 85 basis points and expires in March 2016. Commitment no. 4 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 75 basis points and expires in September 2018.

j. 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%. As of August 31, 2015 and 2014, the Hospitals Center has $70.7 million and $55.2 million, respectively, outstanding under these agreements.

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 2015 and 2014, the Hospitals Center was in compliance with all financial ratio covenants.

Principal payments on long-term debt are as follows:

(in thousands)	
2016	$ 41,326
2017	41,381
2018	37,309
2019	155,671
2020	19,903
Thereafter	1,211,664
	$ 1,507,254

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.

The carrying amounts and fair values of the Hospitals Center's long-term debt at August 31, 2015 and 2014 are as follows:

	2015		**2014**	
(in thousands)	**Carrying Values**	**Fair Values**	**Carrying Values**	**Fair Values**
Level 2	$ 1,316,376	$ 1,368,943	$ 1,033,646	$ 1,143,650
Level 3	214,434	214,434	403,916	403,916
Long-term debt	$ 1,530,810	$ 1,583,377	$ 1,437,562	$ 1,547,566

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 $320.4 million and $274.3 million at August 31, 2015 and 2014, 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 $278.5 million and $233.2 million as of August 31, 2015 and 2014, respectively. Including investment assets,

CCC550 has total assets of $408.0 million and $353.8 million at August 31, 2015 and 2014, respectively. Including obligations for insurance exposures, CCC550 has total liabilities of $361.7 million and $303.3 million at August 31, 2015 and 2014, respectively. After eliminating entries, net assets on the consolidated balance sheets relating to CCC550 are $315.0 million and $255.3 million at August 31, 2015 and 2014, 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.

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 $26.4 million and $24.8 million for the years ended August 31, 2015 and 2014, 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.

(in thousands)	**2015**	**2014**
Multi-employer Retirement Plans		
1199 SEIU Health Care Employees Pension Fund [a]	$ 24,011	$ 23,317
Local 810 United Wire Metal and Machine Pension [b]	963	883
	$ 24,974	$ 24,200

[a] Represents greater than 5% of total plan contributions, based on the most recent Form 5500 available.

[b] 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 [c] 2015	Pension Protection Act Zone Status [c] 2014	FIP/RP [d] Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	N/A	N/A	No	September 30, 2018

[c] 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.

[d] Funding improvement plan or rehabilitation plan.

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, 2015. 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, 2015 and 2014:

(in thousands)	2015	2014
Plans' Funded Status		
Change in benefit obligation		
Benefit obligation at beginning year	$ 444,781	$ 383,912
Service cost	5,287	4,933
Interest cost	18,534	18,806
Actuarial loss	12,700	52,770
Benefits paid	(16,953)	(15,640)
Benefit obligation at end of year	464,349	444,781
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	348,187	298,003
Actual return on plan assets	(7,270)	50,888
Employer contributions	10,000	14,936
Benefits paid	(16,953)	(15,640)
Fair value of plan assets at end of year	333,964	348,187
Funded status at end of year	$ (130,385)	$ (96,594)

	2015	2014
Amounts recognized in the consolidated balance sheet consist of		
Current liabilities	$ -	$ -
Noncurrent liabilities	130,385	96,594
Total amount recognized in consolidated balance sheet	$ 130,385	$ 96,594
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in the coming year		
Net loss	$ 15,885	$ 15,744
Amounts not reflected yet in net periodic benefit cost and included in unrestricted net assets are as follows		
Net loss	$ 165,876	$ 140,031
Total decrease in unrestricted net assets	$ 165,876	$ 140,031
Components of net periodic benefit cost		
Service cost	$ 5,287	$ 4,933
Interest cost	18,534	18,806
Expected return on plan assets	(21,619)	(20,269)
Amortization of actuarial loss	15,744	12,140
Net periodic benefit cost	$ 17,946	$ 15,610
Other changes recognized in unrestricted net assets		
Actuarial net loss arising during period	$ 41,589	$ 22,151
Amortization of actuarial loss	(15,744)	(12,140)
Total recognized in other changes in unrestricted net assets	$ 25,845	$ 10,011

	2015	2014
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	4.25 %	5.00 %
Rate of increase in compensation levels	4.00 %	4.00 %
Expected long term rate of return on assets	7.00 %	7.00 %
Weighted average assumptions used to determine benefit obligation as of August 31		
Discount rate	4.50 %	4.25 %
Rate of compensation increase	4.00 %	4.00 %

The accumulated benefit obligation for the pension plans was $442.0 million and $421.5 million at August 31, 2015 and 2014, 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% is reasonable long term rates of return on plan assets for both 2015 and 2014, and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

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, 2015 and 2014:

(in thousands)	**Active Markets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Balance at August 31, 2015**
Cash and cash equivalents	$ 1,614	$ -	$ -	$ 1,614
Fixed income	95,140	-	-	95,140
Equity	166,205	-	-	166,205
International equity funds	71,005	-	-	71,005
Total assets at fair value	$ 333,964	$ -	$ -	$ 333,964

(in thousands)	**Active Markets (Level 1)**	**Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Balance at August 31, 2014**
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	$ 348,187	$ -	$ -	$ 348,187

Contributions

Annual contributions are determined by the Hospitals Center based upon calculations prepared by the Plan's actuaries; the expected contribution for fiscal year 2016 is $7.0 million.

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands)	**2015**
Years Ending August 31,	
2016	$ 19,086
2017	20,391
2018	21,994
2019	23,579
2020	24,620
2021-2025	138,423
	$ 248,093

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.

(in thousands)	**2015**	**2014**
Multi-employer Post-retirement Plans		
1199 SEIU Health Care Employees Health & Welfare Fund [a]	$ 54,771	$ 56,172
Local 810 Health & Welfare Fund [a]	2,221	2,215
	$ 56,992	$ 58,387

[a] 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.

Information with respect to the plan as of and for the year ended August 31, 2015 and 2014 is as follows:

(in thousands)	2015	2014
Plans' Funded Status		
Change in benefit obligation		
Benefit obligation at beginning of year	$ 74,562	$ 59,019
Service cost	2,514	1,912
Interest cost	3,127	2,907
Actuarial (gain) loss	(3,942)	11,805
Participant contributions	787	750
Retiree drug subsidy receipts	196	188
Benefits paid	(2,426)	(2,019)
Benefit obligation at end of year	74,818	74,562
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	1,443	1,081
Plan participants' contributions	787	750
Benefits paid, net of subsidy receipts	(2,230)	(1,831)
Fair value of plan assets at end of year	-	-
Funded status at end of year	$ (74,818)	$ (74,562)

	2015	2014
Amounts recognized in the combined balance sheet consist of		
Current liabilities	$ 2,045	$ 1,916
Noncurrent liabilities	72,773	72,646
Total amount recognized in consolidated balance sheet	$ 74,818	$ 74,562

	2015	2014
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	4.25 %	5.00 %
Expected long term rate of return on plan assets	N/A	N/A
Weighted average assumptions used to determine benefit obligation as of August 31		
Discount rate	4.75 %	4.25 %
Initial health care cost trend rate - Pre-Medicare	7.00 %	7.50 %
Initial health care cost trend rate - Post-Medicare	6.25 %	6.50 %
Ultimate retiree health-care cost trend	4.50 %	4.50 %
Year ultimate trend rate is achieved	2023	2023

(in thousands)	2015	2014
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service credit	$ (574)	$ (1,062)
Net loss	13,945	18,955
Amounts in unrestricted net assets at August 31	$ 13,371	$ 17,893
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in the coming year		
Net loss	$ 633	$ 1,068
Prior service credit recognition	(488)	(488)
Total amounts to be expected to be recognized in net periodic benefit cost in the coming year	$ 145	$ 580
Components of net periodic benefit cost		
Service cost	$ 2,514	$ 1,912
Interest cost	3,127	2,907
Amortization of prior service credit	(488)	(1,165)
Amortization of actuarial loss	1,068	127
Net periodic benefit cost	$ 6,221	$ 3,781
Other changes recognized in unrestricted net assets		
Actuarial net (gain) loss arising during period	$ (3,942)	$ 11,805
Amortization of actuarial net loss	(1,068)	(127)
Amortization of prior service credit	488	1,165
Total recognized in other changes in unrestricted net assets	$ (4,522)	$ 12,843

In 2015 and 2014, the effect of a 1% change in the health care cost trend rate is as follows:

(in thousands)	2015	
	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 1,106	$ (848)
Effect on postretirement benefit obligation	$ 13,839	$ (10,138)

	2014	
	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 858	$ (691)
Effect on postretirement benefit obligation	$ 13,362	$ (9,944)

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:

(in thousands)	Estimated future benefit payments	Estimated gross subsidy receipts
Years Ending August 31,		
2016	$ 2,356	$ 263
2017	2,592	289
2018	2,942	313
2019	3,284	339
2020	3,629	366
2021- 2025	23,202	2,290
	$ 38,005	$ 3,860

10. Functional Expenses

Expenses by function related to the provision of health care services are as follows for the years ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Health care related services	$ 1,875,347	$ 1,719,536
General and administrative	526,822	389,987
Disaster-related expenses	6,003	22,139
	$ 2,408,172	$ 2,131,662

11. Related Organizations

The Hospitals Center shares various services with both the University, NYUSoM and the Health System. The net balance due from related parties at August 31, 2015 was $4.9 million, which consisted of ($1.1 million) due to the University, ($2.2 million) due to NYUSoM, and $8.2 million due from the Health System. The net balance due (to) related parties at August 31, 2014 was ($2.3 million), which consisted of ($0.4 million) due to the University and ($1.9 million) due to NYUSoM.

In 2015 and 2014, the Hospitals Center transferred $50.0 million and $30.0 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 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 noncancelable operating leases with initial or remaining terms of one year or more at August 31, 2015 consisted of the following:

(in thousands)		
2016	$	24,785
2017		23,690
2018		23,352
2019		22,241
2020		18,873

Total rent expense for 2015 and 2014 was $34.4 million and $35.8 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 $26.9 million and $25.2 million at August 31, 2015 and 2014. Cash and marketable securities collateralize the letters of credit.

The Hospitals Center is self-insured, based on individual employees' elections for hospital and pharmaceutical benefits. Liabilities have been accrued at August 31, 2015 and 2014 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, 2015 and 2014:

(in thousands)		**2015**		**2014**
Temporarily restricted				
Contributions and earnings for operating purposes	$	111,925	$	103,828
Contributions for building and equipment		212,834		211,344
Disaster recovery award for future mitigation		132,165		201,253
	$	456,924	$	516,425

Permanently restricted net assets are retained in perpetuity with investment return on the respective funds available for programmatic support was $13.0 million at August 31, 2015. These funds are included in marketable securities on the balance sheet, which have fair values of $26.6 million and $27.8 million at August 31, 2015 and 2014, respectively.

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, 2015 and 2014:

	Endowment Net Asset Composition by Type of Fund as of August 31, 2015			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 9,868	$ 13,045	$ 22,913
Board-designated endowment funds	3,710	-	-	3,710
Total funds	$ 3,710	$ 9,868	$ 13,045	$ 26,623

	Endowment Net Asset Composition by Type of Fund as of August 31, 2014			
(in thousands)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 11,042	$ 13,045	$ 24,087
Board-designated endowment funds	3,731	-	-	3,731
Total funds	$ 3,731	$ 11,042	$ 13,045	$ 27,818

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.

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 (as described in Note 3). However, when donors have expressly stipulated a payout percentage of earnings on endowment that differs from the percentage determined by the University Board, the donor stipulated policy is followed. This is consistent with the Hospitals Center's objectives as addressed above.

The following table provides the changes in each endowment net asset category:

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at August 31, 2013	$ 3,562	$ 9,139	$ 13,038	$ 25,739
Investment return				
Investment income, net of fees	142	902	-	1,044
Net appreciation/depreciation	318	2,039	-	2,357
Total investment return	460	2,941	-	3,401
Contributions and other additions	-	-	7	7
Endowment distribution	(41)	(1,038)	-	(1,079)
Liquidations	(250)	-	-	(250)
Endowment net assets at August 31, 2014	3,731	11,042	13,045	27,818
Investment return				
Investment income, net of fees	50	320	-	370
Net appreciation/depreciation	(29)	(202)	-	(231)
Total investment return	21	118	-	139
Endowment distribution	(42)	(1,041)	-	(1,083)
Liquidations	-	(251)	-	(251)
Endowment net assets at August 31, 2015	$ 3,710	$ 9,868	$ 13,045	$ 26,623

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 Hospitals Center and NYUSoM (collectively, 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.

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.

Since the storm, the Hospitals Center has recognized $67.3 million of commercial insurance recovery revenues, with $11.2 million recognized in fiscal year 2014.

The University, on behalf of the Medical Center, has initiated lawsuits against its primary insurer, Factory Mutual Insurance Company, and Turner Construction Company to recover additional insurance proceeds, but the ultimate outcome cannot be determined at this time and therefore, no revenue has been recorded for the year ended August 31, 2015.

Federal Disaster Recovery Assistance

The following is a summary of the federal disaster recovery reimbursement revenues recognized by the Hospitals Center and reflected in the consolidated financial statements for the years ended August 31, 2015 and 2014:

	Federal Disaster Recovery			
(in thousands)	**FEMA Capped Grant Program**	**FEMA Emergency & Temporary Funding**	**Social Services Block Grant**	**Total**
Medical Center estimated eligible costs	$ 1,130,073	$ 199,327	$ 22,327	
Allocated to Hospitals Center	508,800	108,085	22,327	
Federal cost share	90%	90%	100%	
Hospitals Center total awarded	$ 457,920	$ 97,277	$ 22,327	$ 577,524
Net Receivable at August 31, 2013	$ -	$ 10,441	$ -	$ 10,441
2014 Statement of Operations				
Operating revenue	$ 84,137	$ (9,039)	$ 22,000	$ 97,098
Nonoperating revenue	73,374	-	-	73,374
Total Statement of Operations	157,511	(9,039)	22,000	170,472
2014 Statement of Changes in Net Assets	213,253	-	-	213,253
2014 total revenues	370,764	(9,039)	22,000	383,725
2014 cash received	(329,314)	-	-	(329,314)
Reallocation from NYUSoM	-	-	-	-
Net Receivable at August 31, 2014	$ 41,450	$ 1,402	$ 22,000	$ 64,852
2015 Statement of Operations				
Operating Revenue	$ 3,460	$ 1,882	$ 327	$ 5,669
Nonoperating Revenue	31,042	-	-	31,042
Total Statement of Operations	34,502	1,882	327	36,711
2015 Cash Received				
Reallocation of funding between FEMA awards	13,671	(13,671)	-	-
2015 Cash Received	-	-	(22,327)	(22,327)
Reallocation of cash to NYUSoM	870	10,387	-	11,257
Net Receivable at August 31, 2015	$ 90,493	$ -	$ -	$ 90,493
Balance Sheet classification of net receivable				
Disaster recovery receivable	$ 43,572	$ -	$ -	43,572
Disaster recovery receivable, less current portion	63,199	-	-	63,199
Deferred revenue- disaster recovery	(16,278)	-	-	(16,278)
	$ 90,493	$ -	$ -	$ 90,493

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 an 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 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 $34.5 million and $157.5 million (which represents 90% of eligible costs incurred) for the years ended August 31, 2015 and 2014, respectively. Additionally, during 2015, $13.7 million of reimbursable costs incurred in prior years were reallocated to the Capped Grant, for a total of $205.7 million expended for eligible repair and replacement costs. As of August 31, 2015 and 2014, the unspent portion of the cash received for repairs and replacement totaling $16.3 million and $67.1 million, respectively, is recorded on the consolidated balance sheet in assets limited as to use-disaster recovery and deferred revenue. The revenues will be recognized as the allowable costs are incurred.

Of the $236.9 million related to hazard mitigation projects, the Hospitals Center recognized 90% (or $213.3 million) as a temporarily restricted disaster recovery award for future mitigation during the year ended August 31, 2014, that will be released from restriction as these related costs are incurred. For the years ended August 31, 2015 and 2014, the Hospitals Center released $69.1 million and $12.0 million, respectively, from restriction for hazard mitigation.

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 nonpermanent 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 fiscal year 2014 to assist in the recovery of certain disaster related costs. The entire award amount was recognized in revenue during fiscal year 2014 and was included in disaster recovery receivable at August 31, 2014. In March 2015, payment was received in full.

Disaster-related Costs

The consolidated financial statements reflect disaster-related operating and capital expenditures for the years ended August 31, 2015 and 2014.

Disaster-related operating expenses include the 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. The Hospitals Center recorded $6.0 million and $22.1 million of disaster-related operating expenses for the years ended August 31, 2015 and 2014, respectively.

Disaster related capital expenditures include capital expenses incurred for hazard mitigation and the repair/restoration for eligible damages to the main campus and offsite facilities. The Hospitals Center capitalized $110.8 million and $78.2 million of disaster-related expenditures within property, plant and equipment for the years ended August 31, 2015 and 2014, respectively.

16. Subsequent Events

The Hospitals Center performed an evaluation of subsequent events through December 11, 2015, which is the date the consolidated financial statements were issued.

Consolidating Financial Information

NYU Hospitals Center
Consolidating Balance Sheets
August 31, 2015

	NYU Hospitals Center	CCC550	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	$ 109,739	$ -	$ -	$ 109,739
Marketable securities	3,710	-	-	3,710
Assets limited as to use	12,557	-	-	12,557
Assets limited as to use - board designated	100,223	-	-	100,223
Patient accounts receivable, less allowances for uncollectables (2015 - $81,456)	314,627	-	-	314,627
Contribution receivable, current	82,728	-	-	82,728
Due from related organizations, net	4,931	-	-	4,931
Insurance receivables - billed	-	85,949	(35,392)	50,557
Inventories	33,421	-	-	33,421
Disaster recovery receivable	43,572	-	-	43,572
Other current assets	53,512	1,577	-	55,089
Total current assets	759,020	87,526	(35,392)	811,154
Marketable securities, less current portion	22,913	-	-	22,913
Assets limited as to use, less current portion	36,141	320,426	-	356,567
Assets limited as to use - Board designated	591,220	-	-	591,220
Contributions receivable, less current portion	74,916	-	-	74,916
Other assets	75,967	-	(57,561)	18,406
Disaster recovery receivable, less current portion	63,199	-	-	63,199
Property, plant and equipment, net	2,271,892	-	-	2,271,892
Total assets	$ 3,895,268	$ 407,952	$ (92,953)	$ 4,210,267
Liabilities and net assets				
Current liabilities				
Current portion of long-term debt	$ 42,612	$ -	$ -	$ 42,612
Accounts payable and accrued expenses	139,796	6,448	-	146,244
Accounts payable and accrued expenses - disaster related	6,265	-	-	6,265
Accrued salaries and related liabilities	49,945	-	-	49,945
Accrued interest payable	11,332	-	-	11,332
Current portion of accrued postretirement liabilities	2,045	-	-	2,045
Deferred revenue- disaster recovery	16,278	-	-	16,278
Deferred revenue- other	1,380	65,491	(35,392)	31,479
Other current liabilities	56,366	-	-	56,366
Total current liabilities	326,019	71,939	(35,392)	362,566
Long-term debt, less current portion	1,479,592	-	-	1,479,592
Outstanding losses and loss adjustment expenses	-	278,452	-	278,452
Accrued pension liabilities	130,385	-	-	130,385
Accrued postretirement liabilities, less current portion	72,773	-	-	72,773
Other liabilities	155,494	11,306	(11,306)	155,494
Total liabilities	2,164,263	361,697	(46,698)	2,479,262
Net assets				
Unrestricted	1,261,036	46,255	(46,255)	1,261,036
Temporarily restricted	456,924	-	-	456,924
Permanently restricted	13,045	-	-	13,045
Total net assets	1,731,005	46,255	(46,255)	1,731,005
Total liabilities and net assets	$ 3,895,268	$ 407,952	$ (92,953)	$ 4,210,267

See accompanying notes to these consolidating financial statements.

NYU Hospitals Center
Consolidating Statements of Operations
Year Ended August 31, 2015

	NYU Hospitals Center	CCC550	Eliminations	NYUHC
Operating revenue				
Net patient service revenue, less provision for bad debts (2015 - $11,348)	$ 2,453,875	$ -	$ -	$ 2,453,875
Premiums earned	-	71,819	(24,616)	47,203
Contributions	4,930	-	-	4,930
Endowment distribution and return on short-term investments	14,406	3,200	-	17,606
Disaster recovery reimbursement	5,669	-	-	5,669
Other revenue	107,619	-	(7,782)	99,837
Net assets released from restrictions for operating purposes	7,929	-	-	7,929
Total operating revenue	2,594,428	75,019	(32,398)	2,637,049
Operating expenses				
Salaries and wages	795,591	-	-	795,591
Employee benefits	281,434	-	-	281,434
Supplies and other	1,106,416	67,237	(24,616)	1,149,037
Depreciation and amortization	113,519	-	-	113,519
Interest	62,588	-	-	62,588
Disaster related activities	6,003	-	-	6,003
Total operating expenses	2,365,551	67,237	(24,616)	2,408,172
Gain from operations	228,877	7,782	(7,782)	228,877
Other items				
Loss on impairment or disposals of property, plant and equipment	(43)	-	-	(43)
Loss on extinguishment	(27,074)	-	-	(27,074)
Disaster recovery reimbursement for capital	31,042	-	-	31,042
Grants for capital asset acquisitions	50	-	-	50
Investment return less than endowment distribution, net	(8,278)	-	-	(8,278)
Mission based payment to NYUSoM	(50,000)	-	-	(50,000)
Excess of revenue over expenses	174,574	7,782	(7,782)	174,574
Other changes in unrestricted net assets				
Other changes in unrestricted net assets				-
Changes in pension and postretirement obligations	(21,323)	-	-	(21,323)
Net assets released from restrictions for capital purposes	7,332	-	-	7,332
Net assets released from restrictions for hazard mitigation	69,088	-	-	69,088
Net increase in unrestricted net assets	$ 229,671	$ 7,782	$ (7,782)	$ 229,671

See accompanying notes to these consolidating financial statements.

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Appendix B-2

Lutheran HealthCare Combined Financial Statements and Supplemental Combining Information as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

Lutheran HealthCare

Combined Financial Statements and
Supplemental Combining Information
as of and for the Years Ended
December 31, 2014 and 2013, and
Independent Auditors' Report

LUTHERAN HEALTHCARE

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INDEPENDENT AUDITORS' REPORT

To the Boards of Trustees of
Lutheran Medical Center and
Sunset Park Health Council, Inc.
Brooklyn, New York

We have audited the accompanying combined financial statements of Lutheran Medical Center ("Medical Center") and its subsidiaries and Sunset Park Health Council, Inc. ("Sunset Park"), d/b/a Lutheran Family Health Centers (collectively, "Lutheran HealthCare"), which comprise the combined balance sheets as of December 31, 2014 and 2013; the related combined statements of operations, changes in net assets, and cash flows for the years then ended; and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Lutheran Augustana Center for Extended Care and Rehabilitation, Inc.; Shore Hill Housing Company, Inc.; Harbor Hill Housing Development Fund Corporation; Sunset Gardens Housing Development Fund Corporation; or Shore Hill Housing Associates, L.P. (collectively, the "Other Combined Entities"), which statements reflect total assets constituting 14% and 15%, respectively, of combined total assets at December 31, 2014 and 2013, and total revenues constituting 6% of combined total revenues for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Combined Entities, is based solely on the reports of the 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Lutheran HealthCare's preparation and fair presentation of the combined 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 Lutheran HealthCare'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 combined 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, based on our audits and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lutheran HealthCare as of December 31, 2014 and 2013, and the combined results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

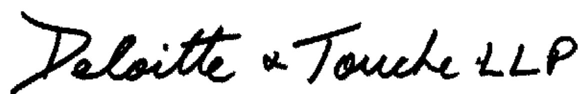
As discussed in Notes 1 and 16 to the combined financial statements, during 2007, the Medical Center transferred certain assets, liabilities, and operations of the Lutheran Family Health Center ("Health Center") to Sunset Park. The Medical Center and Sunset Park have been established as "co-operators" of the Health Center. The Medical Center continues to provide support services to allow the Health Center to operate as it did before the transaction. Both the Medical Center and Sunset Park are included in the accompanying combined financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the combined financial statements, OHP PHSP, Inc. (formerly known as Health Plus Prepaid Health Services Plan, Inc.) sold all of its operating and nonfinancial assets. The sale closed on May 1, 2012. OHP PHSP, Inc. has ceased operations as of this date and is in process of settling liabilities that existed as of this date. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 19 to the combined financial statements, the Medical Center entered into an affiliation agreement with NYU Hospitals Center on April 1, 2015. As a result of the affiliation agreement, the Medical Center changed its name to NYU Lutheran Medical Center and NYU Langone Health System became its sole corporate member. NYU Langone Health System is also the sole corporate member for NYU Hospitals Center. Our opinion is not modified with respect to this matter.

Report on Supplemental Combining Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining information on pages 41 through 55 is presented for the purpose of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and is not a required part of the combined financial statements. This supplemental combining information is the responsibility of Lutheran HealthCare's management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such supplemental combining information has been subjected to the auditing procedures applied in our audits of the combined financial statements and (as to the amounts included for the Other Combined Entities mentioned above) the reports of other auditors and certain additional procedures, including comparing and reconciling such supplemental combining information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the reports of the other auditors, such supplemental combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



May 27, 2015

LUTHERAN HEALTHCARE

COMBINED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,743	$ 36,058
Investments	15,901	48,129
Assets limited as to use	1,410	1,449
Patient accounts receivable—less allowance for uncollectible accounts of $22,901 and $17,722 in 2014 and 2013, respectively	84,559	82,837
Premiums receivable		3,449
Other receivables	9,934	11,500
Due from third-party payors	18,680	15,038
Other current assets	29,776	25,298
Total current assets	189,003	223,758
ASSETS LIMITED AS TO USE—Less current portion	49,818	69,606
INVESTMENTS—Less current portion	133,247	103,770
PROPERTY AND EQUIPMENT—Net	174,638	182,188
OTHER ASSETS	80,671	80,743
TOTAL	$ 627,377	$ 660,065
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 48,022	$ 51,360
Accrued salaries and related liabilities	29,931	29,293
Accrued medical costs	1,921	4,898
Current portion of obligations under capital leases	2,618	3,012
Current portion of long-term debt	8,520	6,525
Current portion of professional liabilities	2,600	2,600
Other current liabilities	12,869	14,924
Current portion of due to third-party payors	9,731	14,463
Total current liabilities	116,212	127,075
LONG-TERM LIABILITIES:		
Due to third-party payors—less current portion	35,396	30,439
Professional liabilities—less current portion	87,993	88,076
Obligations under capital leases—less current portion	4,561	5,485
Long-term debt—less current portion	105,389	108,313
Accrued pension liability	111,802	51,480
Other long-term liabilities	18,944	19,920
Total long-term liabilities	364,085	303,713
Total liabilities	480,297	430,788
COMMITMENTS AND CONTINGENCIES (Note 17)		
NET ASSETS:		
Unrestricted	141,320	224,261
Temporarily restricted	5,251	4,505
Permanently restricted	509	511
Total net assets	147,080	229,277
TOTAL	$ 627,377	$ 660,065

See notes to combined financial statements.

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
REVENUE:		
Net patient service revenue (after contractual allowances and discounts)	$ 623,614	$ 593,791
Provision for bad debts	(33,987)	(25,918)
Net patient service revenue—net of provision for bad debts	589,627	567,873
Premium revenue	9,720	7,308
Grant income	47,008	50,859
Investment income	6,194	5,492
Net assets released from restrictions	7,086	5,321
Other revenue	27,674	28,827
Total revenue	687,309	665,680
EXPENSES:		
Salaries and wages	353,277	330,165
Employee benefits	111,714	113,643
Supplies and expenses	215,279	211,584
Medical costs	2,822	(5,820)
Depreciation and amortization	21,880	21,252
Interest	4,093	1,613
Total expenses	709,065	672,437
OPERATING LOSS	(21,756)	(6,757)
NONOPERATING LOSSES		(899)
DEFICIENCY OF REVENUE OVER EXPENSES	(21,756)	(7,656)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Defined benefit plan adjustments	(60,887)	42,330
Changes in unrealized gains and losses on investments	(1,803)	3,034
Contributions	1,302	272
Net assets released for capital acquisitions	203	4,188
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (82,941)	$ 42,168

See notes to combined financial statements.

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS—January 1, 2013	$182,093	$ 3,872	$497	$186,462
Deficiency of revenues over expenses	(7,656)			(7,656)
Changes in unrealized gains and losses on investments	3,034		14	3,048
Contributions	272	10,142		10,414
Net assets released from restrictions:				
Operating expenses		(5,321)		(5,321)
Capital acquisitions	4,188	(4,188)		-
Defined benefit plan adjustments	42,330			42,330
Change in net assets	42,168	633	14	42,815
NET ASSETS—December 31, 2013	224,261	4,505	511	229,277
Deficiency of revenues over expenses	(21,756)			(21,756)
Changes in unrealized gains and losses on investments	(1,803)		(2)	(1,805)
Contributions	1,302	8,035		9,337
Net assets released from restrictions:				
Operating expenses		(7,086)		(7,086)
Capital acquisitions	203	(203)		-
Defined benefit plan adjustments	(60,887)			(60,887)
Change in net assets	(82,941)	746	(2)	(82,197)
NET ASSETS—December 31, 2014	$141,320	$ 5,251	$509	$147,080

See notes to combined financial statements.

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
OPERATING ACTIVITIES:		
Change in net assets	$ (82,197)	$ 42,815
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,880	21,252
Provision for bad debts	33,987	25,918
Restricted contributions	(943)	(4,379)
Defined benefit plan adjustments	60,887	(42,330)
Changes in unrealized gains and losses on investments	1,805	(3,048)
Realized gains on investments	(2,801)	(1,675)
Changes in operating assets and liabilities:		
Patient accounts receivable	(35,709)	(28,674)
Premiums receivable	3,449	501
Other receivables	1,566	4,186
Due from and to third-party payors	(3,417)	(3,011)
Other current assets	(4,478)	15,584
Accounts payable, accrued expenses, accrued salaries, and related liabilities	(3,782)	455
Accrued medical costs	(2,977)	(954)
Professional liabilities	(83)	1,538
Accrued pension liability	(565)	2,274
Other assets and liabilities	(3,200)	(9,338)
Net cash (used in) provided by operating activities	(16,578)	21,114
INVESTING ACTIVITIES:		
Capital expenditures	(10,347)	(19,384)
Purchases of investments	(209,688)	(228,670)
Proceeds from sales of investments	213,435	217,101
Purchases of assets limited as to use	(1,627)	(1,531)
Proceeds from sales of assets limited as to use	21,454	19,988
Net cash provided by (used in) investing activities	13,227	(12,496)
FINANCING ACTIVITIES:		
Proceeds from line-of-credit borrowing	10,000	5,000
Repayments of line-of-credit borrowing	(10,000)	(5,000)
Proceeds from issuance of long-term debt	5,595	4,003
Repayments of capital lease obligations	(3,978)	(3,460)
Repayments of long-term debt	(6,524)	(6,412)
Restricted contributions	943	4,379
Net cash used in financing activities	(3,964)	(1,490)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,315)	7,128
CASH AND CASH EQUIVALENTS—Beginning of year	36,058	28,930
CASH AND CASH EQUIVALENTS—End of year	$ 28,743	$ 36,058
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 3,369	$ 3,393
Capital lease obligations incurred	$ 2,660	$ 4,509
Accruals for the acquisition of property and equipment	$ 1,082	$ 1,104

See notes to combined financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lutheran Medical Center ("Medical Center") is a not-for-profit membership corporation organized under the New York State not-for-profit corporation law, whose sole corporate member is the LMC Health System, Inc., a New York not-for-profit corporation. The Medical Center operates an acute care hospital.

Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a Lutheran Family Health Centers, is referred to herein as "Lutheran Family Health Centers," LFHC, or "Sunset Park." LFHC is a designated Level 3 Medical Home, and is the largest Federally Qualified Health Center network in New York State that, prior to 2007, operated as a division of the Medical Center.

The Medical Center and its subsidiaries and LFHC are referred to herein as "Lutheran HealthCare." Lutheran HealthCare is one of New York State's most fully integrated health care systems. It includes a medical center, a multistate health center network, home care, long-term care, subsidized senior housing for the frail elderly, and community development. As such, Lutheran HealthCare is able to offer a fluid continuum of care from birth through senior life.

Effective April 1, 2015, the Medical Center entered into an affiliation agreement with New York University Hospitals Center ("NYU Hospitals Center") pursuant to which, the Medical Center changed its name to NYU Lutheran Medical Center and NYU Langone Health System became its sole corporate member. NYU Langone Health System is also the sole corporate member for NYU Hospitals Center (see Note 19).

The following are subsidiaries of the Medical Center:

OHP PHSP, Inc. (Formerly Known as Health Plus Prepaid Health Services Plan, Inc.) (the "Plan")—A licensed, prepaid health services plan which provided comprehensive prepaid health care coverage to Medicaid, Family Health Plus (FHP), Child Health Plus (CHP), and Medicare recipients. On May 1, 2012, the Plan sold all operating and nonfinancial assets and was required to change the name of the organization as part of the transaction (see Note 17). The Plan ceased receiving premiums and providing coverage to members effective with the closing of the sale and is now winding down operations. The Plan made distributions to the Medical Center of $75 million on May 1, 2012, $30 million during 2013 and $50 million during 2014.

Lutheran Augustana Center for Extended Care and Rehabilitation, Inc. ("Augustana")—A long-term nursing care facility.

Senior Housing Projects—Comprised of Shore Hill Housing Company, Inc. ("Shore Hill"); Shore Hill Housing Associates, L.P.; Sunset Gardens Housing Development Fund Corporation ("Sunset Gardens"); and Harbor Hill Housing Development Fund Corporation ("Harbor Hill") and provide housing and rent subsidies for people meeting requirements defined by the US Department of Housing and Urban Development (HUD).

Professional Corporations—Comprised of Shore Road Radiology, PC and LMC Physician Services, PC.

Others—Comprised of various other related organizations, including Shore Road Community Services, Inc.; Sunset Bay Community Services, Inc.; Community Care Organization, Inc.; LMC Community Foundation ("Lutheran Foundation"); and Lutheran CHHA, Inc.

Principles of Combination—The accompanying combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities*, and other pronouncements applicable to health care organizations.

The combined financial statements include the accounts of all of the entities outlined above. The Medical Center accounts for its interests in entities in which it has significant influence on the equity basis of accounting. Such entities are presented in the supplemental combining information on a cost basis. Significant intercompany transactions and balances have been eliminated in combination. Except as discussed in Note 11 to the combined financial statements, the assets of any member of the combined group may not be available to meet the obligations of other members in the group.

Use of Estimates—The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowance for uncollectible patient accounts receivable and contractual allowances, estimated amounts due to and from third-party payors, valuation of investments, pension cost assumptions, and the estimated liability for self-insured losses. Actual results could differ from those estimates.

Cash and Cash Equivalents—Lutheran HealthCare considers all highly liquid investments purchased with a maturity of three months or less, that are not deemed to be assets limited as to use, to be cash equivalents.

Investments—Investments include cash equivalents, mutual funds, fixed-income securities, as well as interests in limited partnerships and common collective trusts. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at estimated fair value. Investments received as a gift are initially recorded at fair value at the date of gift.

Lutheran Healthcare has also entered into partnership agreements with limited partnerships ("alternative investments"), the majority of which are in private markets, whereby they have agreed to certain capital commitments. The ownership interests are reported at fair value using the equity method of accounting. Certain of the partnerships may hold some securities without readily determinable fair values and, consequently, the fund managers may estimate fair value for such securities. These estimates may differ significantly from the values that would have been used had a ready market existed and may also differ significantly from the values at which such investments may be sold and the differences could be material.

Investment income (interest, dividends, realized gains and losses, and the amortization of premium and accretion of discount to maturity) is included within revenue, unless the income or gain (loss) is restricted by donor or by law. Unrealized gains and losses on investments classified as available for sale are excluded from the deficiency of revenues over expenses and reported as a change in net assets, except that declines in fair value that are judged to be other than temporary are reported as realized losses. Gains and losses are determined using the specific identification cost basis. Investment income is reported net of expenses related to the management and custody of investments. Investments classified as current assets are available to support current operations.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined balance sheets and combined statements of operations, changes in net assets, and cash flows.

Other-than-Temporary Impairment of Investments—Lutheran HealthCare reviews its investments to identify those for which market value is below cost. Lutheran HealthCare then makes a determination as to whether the investment should be considered other-than-temporarily impaired based on guidelines established by the Financial Accounting Standards Board (FASB). Lutheran HealthCare considers various factors in determining whether to recognize a decline in value, including the length of time and extent to which the fair value has been less than Lutheran HealthCare's cost basis, the financial condition and near-term prospects of the issuer or investee, and Lutheran HealthCare's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. No losses related to declines in value that were other than temporary in nature were recognized in 2014 or 2013.

Assets Limited as to Use—Assets limited as to use primarily include assets held to meet regulatory requirements, assets held to meet requirements under indenture agreements, donor-restricted assets, and designated assets set aside by the Board of Trustees (the "Board"), over which the Board retains control and may at its discretion subsequently use for other purposes.

Other Current Assets—Other current assets consist principally of prepaid expenses and supplies. Prepaid expenses include prepaid premiums on professional primary and excess insurance coverage of $12,835,000 and $14,001,000 as of December 31, 2014 and 2013, respectively. The coverage period for the primary insurance and the excess insurance coverage is through September 30, 2015. The prepayment was financed by a lending institution and the related liability is recorded in other current liabilities in the combined balance sheets. Supplies are valued at the lower of cost (first-in, first-out method) or market and aggregated $6,353,000 and $5,361,000 as of December 31, 2014 and 2013, respectively.

Property and Equipment—Property and equipment acquisitions are recorded at cost, if purchased, and those acquired by gift at fair market value at the date of the gift. Capitalized lease obligations are recorded at the present value of the minimum lease payments at the inception of the lease. Leased assets are amortized over the lesser of the estimated useful life of the asset or lease term. Such amortization is reported within depreciation and amortization in the accompanying combined statements of operations. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives by classification are as follows:

Buildings and improvements	5–40 years
Equipment	3–25 years

Impairment of Long-Lived Assets—Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset's carrying value exceeds its estimated fair value.

Other Assets—Other assets consist of estimated insurance recoveries, costs incurred in connection with the issuance of debt, the noncurrent portion of pledges receivable, and tenant security deposits. Estimated insurance recoveries were $77,215,000 and $77,198,000 as of December 31, 2014 and 2013,

respectively. Debt issuance costs are being amortized over the life of the debt using the interest method. The cost and accumulated amortization for debt issuance costs were $3,480,000 and $936,000, respectively, as of December 31, 2014, and $3,480,000 and $695,000 as of December 31, 2013, respectively.

Professional and General Liabilities—Prior to October 1, 1997, the Medical Center was self-insured for professional and general insurance liabilities. Subsequent to that date, the Medical Center has purchased claims-made insurance policies from a commercial insurer. Asserted claims and claim incidents that have been incurred but not reported are recorded taking into consideration the severity of incidents and expected timing of claim payments. The liabilities for outstanding losses and loss-related expenses, the related provision for losses, and loss-related expenses include estimates for malpractice losses incurred but not reported, as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis and any adjustments required are reflected in operations currently.

Lutheran Family Health Centers are designated as a federally qualified community health center and receives funding under Section 330 of the Public Health Service Act (PHSA). As such, malpractice coverage is provided on an occurrence basis under certain legislative covenants of this section of the PHSA.

Defined Benefit Pension Plan—Lutheran HealthCare recognizes the underfunded status of its defined benefit plan as a liability in its combined balance sheets. Changes in the funded status of the plan are reported as a change in unrestricted net assets presented below the deficiency of revenues over expenses in its combined statements of operations and changes in net assets in the year in which the changes occur. Lutheran HealthCare's policy is to contribute amounts sufficient to meet the funding requirements under the Employee Retirement Income Security Act of 1974 or required under contractual arrangements.

Patient Care Receivables and Net Patient Service Revenue—Lutheran HealthCare has agreements with third-party payors that provide for payments at amounts different from their established charges. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per-diem or per visit payments. Under certain agreements, Lutheran HealthCare is reimbursed at interim rates with final settlement in subsequent periods. Patient care receivables and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the 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 or estimates are changed. Contracts, laws, and regulations governing Medicare, Medicaid, Blue Cross, and various managed care contracts are 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. Changes in estimates decreased the deficiency of revenues over expenses by $1,107,000 in 2014 and increased the deficiency of revenues over expenses by $2,538,000 in 2013.

A portion of the accrual for estimated settlements with third-party payors has been classified as long term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid or collected within one year.

Provision for Bad Debts—Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, Lutheran HealthCare analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Lutheran HealthCare analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, Lutheran HealthCare records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Lutheran HealthCare's allowance for doubtful accounts totaled $22,901,000 and $17,722,000 at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the allowance for doubtful accounts is comprised of 43% and 63%, respectively, for self-pay patients with no insurance and 57% and 37%, respectively, for the patient responsibility for insured patients. Lutheran HealthCare's charity care and uninsured discount policies extend further charity care discounts to qualified patients. Lutheran HealthCare does not maintain a material allowance for uncollectible accounts from third-party payors. Lutheran HealthCare recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Lutheran HealthCare recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of Lutheran HealthCare's uninsured patients may not qualify for charity care discounts and may be unable or unwilling to pay for the services provided. Thus, Lutheran HealthCare records a provision for bad debts related to uninsured patients in the period the services are provided.

Net patient service revenue (after contractual allowances and discounts), recognized during the years ended December 31, 2014 and 2013, from Lutheran HealthCare's major payor sources, classified based upon the party that has the primary responsibility for paying, are as follows (in thousands):

	2014	2013
Medicare	$ 241,383	$ 231,138
Medicaid	235,989	219,699
Other third-party payors	137,333	134,563
Self-pay	8,909	8,391
Net patient service revenue (after contractual allowances allowances and discounts)	$ 623,614	$ 593,791

Premiums Receivable and Premium Revenue—The Plan had agreements with the New York State Department of Health (NYSDOH), the City of New York Department of Health, and Medicare to provide coverage to residents in New York City and Nassau County. As a result of the sale of all operating and nonfinancial assets on May 1, 2012, the Plan's rights under these contracts were assumed by Amerigroup New York, LLC, a New York limited liability company d/b/a Amerigroup Community Care New York ("Amerigroup") on May 1, 2012 (see Note 17).

Grants and Contributions—Unrestricted gifts and bequests made to Lutheran HealthCare are recorded as revenue. Unconditional promises to give cash and other assets to Lutheran HealthCare are reported at fair market value at the date the promise is received. Conditional promises to give are reported at fair market value at the date the condition has been met. Gifts are reported as either temporarily or permanently restricted if they are received with a donor stipulation that limits the use of the donated assets. Revenue related to grants is recognized as the related costs are incurred. To the extent that Lutheran HealthCare receives grants for capital, they are excluded from the performance indicator.

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use by Lutheran HealthCare 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 Lutheran HealthCare in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Pledges—Pledges receivable, which are unsecured, are recorded as contributions at the date the unconditional promise to give is made. As of December 31, 2014 and 2013, pledges receivable aggregated $150,000.

Other Revenue—Other revenue includes unrestricted contributions and other non-patient-related revenues.

Meaningful Use—Under the Health Information Technology for Economic and Clinical Health Act, qualifying acute care hospitals and outpatient facilities are eligible for incentive payments from both Medicare and Medicaid for achieving prescribed standards for the meaningful use of electronic health records. Lutheran HealthCare reports amounts earned as other revenue when Lutheran HealthCare has met the compliance requirements as set forth by Medicare and Medicaid. During 2014, Lutheran HealthCare recorded as other revenue an estimated $1,807,000 from Medicare and an estimated $735,000 from Medicaid for meaningful use incentives. During 2013, Lutheran HealthCare recorded as other revenue an estimated $2,392,000 from Medicare and an estimated $712,000 from Medicaid for meaningful use incentives.

Medical Costs—The Plan contracted with various health care providers, including the Medical Center, for the provision of medical care to its members. The Plan compensated these providers on either a capitation or fee-for-service basis. Medical costs were accrued in the period services are provided to enrollees, based, in part, on estimates for medical costs, which have been incurred but not reported and on estimates of final rates to be promulgated by the State of New York. The estimates were made using various actuarial and statistical methods based upon historical financial and operational data. The liability for accrued medical costs includes the related assessments and state pool taxes. Management believes that methodologies employed to estimate accrued medical costs are reasonable and the amounts recorded at December 31, 2014 and 2013, are appropriate. Such estimates are regularly monitored and reviewed. Adjustments to accrued medical costs to reflect actual experiences, if any, are reflected in the combined statements of operations in the period in which such changes in estimates become known to management. Due to uncertainties inherent in the claims estimation process, it is at least reasonably possible that the claims paid in the near term could differ materially from the accrued amounts. Included in medical costs is an estimate for accrued physician and hospital claims incurred but not reported. For the years ended December 31, 2014 and 2013, medical costs were increased by approximately

$6,300,000 and decreased by approximately $5,900,000, respectively, reflecting the difference between claims paid and the liability originally estimated in prior years.

Assessments and State Pool Taxes—In accordance with the New York State Health Care Reform Act, the Plan is required to pay tax on all Article 28 (inpatient hospital, outpatient hospital, diagnostic, and treatment centers) costs for non-Medicare patients. During 2012, the assessable rate was 7.04% for Medicaid and FHP eligible patients and 9.63% for CHP eligible patients. Assessments and state pool taxes include estimates of amounts that will ultimately be assessed. Adjustments to such estimates to reflect actual payments are reflected in the combined statements of operations in the period in which such changes in estimate become known to management. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that payments could differ materially from the amounts recorded.

Stop-Loss Insurance—The Plan maintained stop-loss insurance coverage with insurance carriers and the State of New York for claims in order to limit losses on individual members. This coverage lapsed as of May 1, 2012, as the result of the Plan's sale of all operating and nonfinancial assets (see Note 17). Stop-loss insurance premiums are reported in medical costs and recoveries are reported as reductions in medical costs. Stop-loss recoveries include estimates of amounts that will ultimately be recovered. Adjustments to such estimates to reflect actual recoveries are reflected in the combined statements of operations in the period in which such adjustments become known to management. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that recoveries could differ materially from the amounts recorded as receivable. At December 31, 2013, substantially all of the stop-loss receivables were due from the State of New York.

Performance Indicator—For purposes of display, Lutheran HealthCare considers all of its health care and related activities to be part of its normal operations and considers the deficiency of revenues over expenses as the performance indicator. Peripheral or incidental transactions are reported as nonoperating gains or losses. Changes in unrestricted net assets that are excluded from the deficiency of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments not classified as trading securities, transfers of assets to and from affiliates for other than goods and services, defined benefit plan adjustments, and grants and contributions of long-lived assets (including assets released from restrictions for such use).

Charity Care—Lutheran HealthCare provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Lutheran HealthCare does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Tax Status—Sunset Park, the Medical Center, and all but two of its subsidiaries have been recognized as tax exempt pursuant to Section 501(a) of the Internal Revenue Code. Income taxes are not significant.

Recently Issued Accounting Pronouncement—In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03 ("ASU 2015-03"), *Simplifying the Presentation of Debt Issuance Costs.* The purpose of this ASU is to change the presentation of debt issuance costs in the combined financial statements. Under the ASU, debt issuance costs will be recorded as a direct reduction of the debt obligation, as opposed to an asset. The related amortization of such costs will be recorded as interest expense. The ASU is effective for periods beginning after December 15, 2015, and is to be retrospectively applied for all periods presented. Early adoption of this ASU is permitted. The adoption of ASU 2015-03 is not expected to have a material impact on the Lutheran Healthcare's combined financial position, results of operations, or cash flows.

2. CHARITY CARE

The Medical Center is a full-service, 450-bed academic teaching hospital and is a co-operator with LFHC of a network of nine neighborhood primary care sites, 15 school health programs with 24 dental programs, and a diverse range of community-based programs that provide approximately 612,000 medical and dental visits annually.

Lutheran HealthCare exists to serve its neighbors. Lutheran HealthCare is dedicated to caring for whole persons throughout whole communities. As a stabilizing foundation for these communities, Lutheran HealthCare is committed to meeting its neighbors' changing physical, emotional, spiritual, intellectual, and social needs.

In keeping with this mission, Lutheran HealthCare provides medical care to all patients, regardless of their ability to pay. Patients are notified of the availability of free and reduced price care and patients are evaluated for charity care in accordance with established policies. In addition, Lutheran HealthCare operates numerous community benefit programs that seek to improve the health and welfare of its community. Services provided to these patients are not reported as revenue in the combined statements of operations.

The estimated cost incurred by Lutheran HealthCare to provide services to patients who are unable to pay was approximately $34,574,000 and $36,584,000 for the years ended December 31, 2014 and 2013, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under Lutheran HealthCare's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. Lutheran HealthCare also provides a significant amount of uncompensated care to its patients that is reported as a provision for bad debts, which is not included in the amounts reported above. Such provision for bad debts amounted to approximately $33,987,000 and $25,918,000 for 2014 and 2013, respectively.

3. THIRD-PARTY REIMBURSEMENT PROGRAMS

Medicare—Inpatient acute care services and long-term nursing care services provided to Medicare program beneficiaries are paid based on Medicare's Prospective Payment System (PPS). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Settlements are calculated for add-ons to the PPS rates related to the indirect medical education and disproportionate share costs. Inpatient rehabilitation services are paid based on Medicare's PPS for rehabilitation facilities. These rates vary based on clinical and other factors, similar to PPS. Inpatient psychiatric services are paid based on a prospective per-diem rate. Such payments are also adjusted to reflect clinical, diagnostic, and other factors. Direct medical education costs are reimbursed based on costs per resident from a base year trended to the current year and adjusted for eligible resident counts and Medicare utilization. Most outpatient services are paid under Medicare's Outpatient PPS (OPPS) based on Ambulatory Payment Classification groups. Those outpatient services excluded from OPPS continue to be paid based on fee schedules or cost-based methodologies. Eligible bad debts and charity care write-offs related to deductibles and coinsurance of Medicare patients are also reimbursed at 70% of the amounts written off. Any cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of the annual cost reports. The Medical Center's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through the year ended December 31, 2005.

Non-Medicare Payments—The New York State Legislature (NYS) enacted the Health Care Reform Act of 2000. Under this system, all non-Medicare payors, except Medicaid, workers' compensation, and no-fault insurance programs, negotiate payment rates with the individual hospital. If negotiated rates are not established, payors are billed at providers' established charges. Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the NYSDOH on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYS implemented an updated inpatient case mix system, called All Patient Refined Diagnosis Related Groups. This system is intended to more accurately measure and reimburse for patient acuity and will increase the prospective nature of the rates. Outpatient reforms were implemented effective December 1, 2008.

In 2003, the Medical Center was informed by representatives of the Medicaid Fraud Control Unit of the Office of the New York State Attorney General that their office was conducting an investigation into the past Medicaid billings of certain part-time satellite clinics operated on the Medical Center's license. The matter was resolved in a civil settlement, executed in September 2006, which obligates the Medical Center to repay the state a total of $9,000,000. Of this amount, $1,575,000 had already been repaid to the state as of September 2006 and the balance of $7,425,000 is to be repaid in equal monthly installments over nine years starting in October 2006. The balance outstanding at December 31, 2014 and 2013, was $525,000 and $1,353,000, respectively. Consistent with, and following execution of the Affiliation Agreement, discussed in Note 16, this repayment obligation has been assumed as a liability by LFHC and is reported in the accompanying combined balance sheets with due to third-party payors.

4. PREPAID HEALTH CARE REGULATORY REQUIREMENTS

Escrow Deposit Account—In accordance with Part 98 of New York Codes of Rules and Regulations, the Plan is required to maintain an escrow deposit account equal to 5% of projected medical costs for the subsequent calendar year. The following additional requirements must be met:

a. The deposit must be in the form of a trust account, approved by New York State Department of Financial Services (NYSDFS), with a custodian that is a New York State bank or trust company.

b. The assets in the escrow account must be valued at their current fair market value and consist only of cash, certificates of deposit, or of the type specified in Part 1404(a) (1) and (2) of the Insurance Law (government bonds and bonds of American institutions that are adequately collateralized, insured, or highly rated as determined by NYSDFS).

c. The escrow deposit must be fully funded by March 31 of each year.

d. No later than April 30th of each year, the custodian must furnish a statement to NYSDFS identifying the assets held in trust as of March 31, including the estimated fair market value of the assets. NYSDFS may approve withdrawal of amounts held in escrow that exceed the requirement.

Due to the sale of the Plan's operating and nonfinancial assets as of May 1, 2012 (see Note 17), there was no required escrow balance as of December 31, 2014 and 2013. Escrow deposit balances at December 31, 2014 and 2013, were approximately $16,400,000 and $36,000,000, respectively. Access to the escrow deposit account is prohibited without the written concurrence of the NYSDFS and the NYSDOH. During 2014 and 2013, the Plan received approval from the NYSDFS and the NYSDOH to release $10,000,000 and $15,000,000 of the escrow deposit, respectively.

5. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments—Investments as of December 31, 2014 and 2013, consist of the following (in thousands):

	2014	2013
US government and agency obligations	$ 11,035	$ 10,614
Corporate debt obligations	16,200	25,059
Fixed-income mutual funds	11,902	
Equity mutual funds	63,898	58,368
Common collective trusts	14,148	9,466
Mortgage-backed securities	7,279	13,483
Alternative investments	22,167	15,893
Cash investments	2,519	19,016
Total investments	149,148	151,899
Less current investments	(15,901)	(48,129)
Investments—net of current	$ 133,247	$ 103,770

Assets Limited as to Use—Assets limited as to use as of December 31, 2014 and 2013, consist of the following (in thousands):

	2014	2013
Debt requirements—cash investments	$ 19,520	$ 20,591
Regulatory requirements:		
Cash investments	4,252	4,086
US government and agency obligations	2,503	13,482
Corporate debt obligations	10,772	19,602
Donor restricted:		
Cash investments	5,559	4,858
Beneficial interest in trust	155	158
Asset purchase agreement escrow requirement—cash investments	5,001	5,000
Board designated—cash investments	3,466	3,278
Total assets limited as to use	51,228	71,055
Less current portion	(1,410)	(1,449)
Total assets limited as to use—less current portion	$ 49,818	$ 69,606

Investment Returns—The composition of investment returns for the years ended December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Interest and dividend income	$ 3,393	$ 3,817
Realized gains on investments—net	2,801	1,675
Total	$ 6,194	$ 5,492
Other changes in unrestricted net assets—net change in unrealized gains on investments	$ (1,803)	$ 3,034

Unrealized Losses—As of December 31, 2014 and 2013, individual investments in an unrealized loss position are not material.

6. FAIR VALUE MEASUREMENTS

Lutheran Healthcare calculates fair value as described in Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures—Overall*, to value its financial assets and liabilities, when applicable. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a three-level valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, Lutheran Healthcare utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value for the years ended December 31, 2014 and 2013, are classified in the table below in one of the three categories described above (in thousands):

	As of December 31, 2014			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Investments and assets limited as to use:				
Cash investments	$ 40,317	$ -	$ -	$ 40,317
Debt securities:				
US government and agency obligations		13,538		13,538
Corporate debt obligations		26,972		26,972
Mortgage-backed securities		7,279		7,279
Alternative investments			22,167	22,167
Common collective trusts		14,148		14,148
Beneficial interest in trust		155		155
Mutual funds:				
Equity	63,898			63,898
Fixed income	11,902			11,902
Total	$ 116,117	$ 62,092	$ 22,167	$ 200,376
Share of assets held in pension plan:				
Cash investments	$ 17,103	$ -	$ -	$ 17,103
Debt securities:				
Corporate debt obligations		10,476		10,476
Mortgage-backed securities		535		535
Alternative investments			64,937	64,937
Common collective trusts		6,529		6,529
Equity mutual funds	60,589			60,589
Equity securities	38,416			38,416
Total	$ 116,108	$ 17,540	$ 64,937	$ 198,585

	As of December 31, 2013			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Investments and assets limited as to use:				
Cash investments	$ 56,829	$ -	$ -	$ 56,829
Debt securities:				
US government and agency obligations		24,096		24,096
Corporate debt obligations		44,661		44,661
Mortgage-backed securities		13,483		13,483
Alternative investments			15,893	15,893
Common collective trusts		9,466		9,466
Beneficial interest in trust		158		158
Equity mutual funds	58,368			58,368
Total	$ 115,197	$ 91,864	$ 15,893	$ 222,954
Share of assets held in pension plan:				
Cash investments	$ 123	$ -	$ -	$ 123
Debt securities:				
Corporate debt obligations		13,976		13,976
Mortgage-backed securities		996		996
Alternative investments			69,971	69,971
Common collective trusts		14,505		14,505
Equity mutual funds	53,837			53,837
Equity securities	44,150			44,150
Total	$ 98,110	$ 29,477	$ 69,971	$ 197,558

Share of Assets Held in the Pension Plan—As discussed in Note 9, the Health Services Retirement Plan (HSRP) administers the assets of Lutheran HealthCare's pension plan. The assets of all of the plans administered by HSRP are maintained in one trust account and allocated to the participating plans. The above table presents Lutheran HealthCare's pro rata share of each investment category.

Transfers between Levels—The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2014 and 2013, there were no transfers between levels.

Valuation Techniques—Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2014 and 2013.

The fair value of investments is determined in accordance with the current fair value guidance and as described below. Net asset value (NAV) would not be used as a practical expedient for fair value when it is determined to be probable that the investment would sell for an amount different than the reported NAV. In such situations, management would estimate the fair value of the investment in good faith based on the available information and will update the fair value methodology if a significant event occurs which has the potential of affecting the ultimate value of the investment.

Cash Investments—The carrying value of cash investments approximates fair value as maturities are less than three months and/or include money market funds that are based on quoted prices and actively traded.

US Government and Agency Obligations—The fair values of investments in US government and agency obligations classified as Level 2 were primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate Debt Obligations—The fair values of investments in corporate debt obligations classified as Level 2 were primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics (such as early redemption options).

Mortgage-Backed Securities—The fair values of mortgage-backed securities classified as Level 2 were primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity Securities—Fair value estimates for equity securities are based on quoted market prices that are traded in an active market.

Mutual Funds—The fair values of mutual funds are based on quoted market prices or NAV. These funds are required to publish their NAV and to transact at that price. The mutual funds held by Lutheran HealthCare are deemed to be actively traded.

Alternative Investments—The alternative investments presented above are Lutheran HealthCare's pro rata share of alternative investments held by the pension plan (see Note 9) and those held in Lutheran HealthCare's investment portfolio. Of the total alternative investments held by the pension plan, approximately 77% (73% in 2013) are in hedge funds, 9% (18% in 2013) in comingled equity funds, and 14% (9% in 2013) in private equity funds. The estimated fair values of the alternative investments for which no quoted market prices are readily available are determined based upon information provided by the fund managers. Such information is generally based on the pro rata interest in the NAV of the investments. The values for the underlying investments are fair value estimates determined by external fund managers based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals. Funds categorized within Level 3 are subject to a minimum holding period or lockup, cannot be redeemed at the measurement date or with 90 days thereof, are subject to redemption notice periods in excess of 90 days, or have the ability to limit the aggregate amount of shareholders' redemptions. The limited partnerships allocate gains, losses, and expenses to the partners based on the ownership percentage as described in the respective partnership or hedge fund agreements.

Common Collective Trusts—The fair value of a common collective trust is based on the NAV of the fund, representing the fair value of the underlying investments which are generally securities which are traded on an active market. Such investments are classified as Level 2 because Lutheran HealthCare has the ability to redeem its investment in the fund at the NAV per share (or its equivalent) at the measurement date or within the near term and there are no other potential liquidity restrictions.

Receivables and Payables—The carrying value of Lutheran HealthCare's receivables and payables approximates fair value, as maturities are short term.

Long-Term Debt—The carrying amounts and fair values of the Medical Center's and Augustana's long-term debt are based on current traded value. Management considers these inputs to be Level 2. Such amounts at December 31, 2014 and 2013, are as follows (in thousands):

	2014	**2013**
Carrying amount	$ 56,172	$ 62,930
Estimated fair value	$ 54,557	$ 59,276

The fair values of Lutheran HealthCare's remaining long-term debt approximate the carrying amounts.

Interest Rate Swap Instruments—The fair values of interest rate swap instrument (see Note 11) were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap based on the current forward rates implied by the yield curve. These net payments are then discounted using a zero coupon discount rate derived from the London InterBank Offered Rate (LIBOR) swap curve. Management considers these inputs to be Level 2.

The following table presents the changes in fair value measurements using significant unobservable inputs (Level 3) for assets held for the years ended December 31, 2014 and 2013 (in thousands):

Investments and Assets Limited as to Use	**Hedge Funds**	**Total**
Balance—January 1, 2013	$ 9,300	$ 9,300
Purchase and sales	5,100	5,100
Unrealized gains and losses	1,493	1,493
Balance—December 31, 2013	15,893	15,893
Purchase and sales	5,600	5,600
Unrealized gains and losses	674	674
Balance—December 31, 2014	$ 22,167	$ 22,167

Share of Assets Held in Pension Plan	**Hedge Funds**	**Comingled Equity Funds**	**Private Equity Funds**	**Total**
Balance—January 1, 2013	$ 42,472	$ 11,549	$ 4,770	$ 58,791
Purchase and sales	3,577	493	1,299	5,369
Realized gains and losses	3,760	158	39	3,957
Unrealized gains and losses	1,578	(197)	473	1,854
Balance—December 31, 2013	51,387	12,003	6,581	69,971
Purchase and sales	(1,132)	(5,230)	1,432	(4,930)
Realized gains and losses	684	(85)	236	835
Unrealized gains and losses	(836)	(1,018)	915	(939)
Balance—December 31, 2014	$ 50,103	$ 5,670	$ 9,164	$ 64,937

Included within investments and the share of assets held in the pension plan are investments in certain limited liability partnerships and corporations and common collective trusts that report fair value using a calculated NAV or its equivalent. A summary of investments with a reported NAV that have restrictions on Lutheran HealthCare's ability to redeem its investment at the measurement date as of December 31, 2014 and 2013, is as follows (in thousands):

	Fair Value as of December 31, 2014 (In Thousands)	Fair Value as of December 31, 2013 (In Thousands)	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Assets held in investments—common collective trust—Wellington Global Bond Fund [q]	$10,268	$ 6,937	None	Monthly	22 days
Limited liability partnerships and corporations:					
EnTrust Capital Diversified Fund [r]	$10,916	$ 7,874	None	Quarterly	90 days
Weatherlow Offshore Fund I [s]	11,251	8,019	None	Quarterly	65 days
Total	$22,167	$15,893			
Assets held in pension plan:					
Common collective trust:					
EB Temporary Investment Fund II [a]	$ -	$ 3,037	None	Daily	N/A
MCM International Stock Index Fund [b]	6,529	11,468	None	Daily	N/A
Total	$ 6,529	$14,505			
Limited liability partnerships and corporations:					
AXIOM International Equity Fund II [c]	$ 6,673	$ 6,459	None	Monthly	15 days
City of London Investable Emerging Markets Country Fund [d]	3,849	4,898	None	Monthly	30 days
Archstone ERISA Fund, Ltd. [e]	14,689	16,201	None	Quarterly	90 days
Forester Partners, L.P. [f]	5,513	4,863	None	Annual	95 days
Nyes Ledge Capital Offshore Fund [g]	9,021	8,151	None	Annual	90 days
Gresham Investment Management Fund: Tap Fund [h]	5,319	6,004	None	Monthly	5 days
Common Fund Capital Natural Resources Partners VII, L.P. [i]	1,497	1,265	322	Illiquid	N/A
Common Fund Capital Natural Resources Partners IX, L.P. [p]	519	211	1471	Illiquid	N/A
Wellington Strategic Real Asset Pool [j]	5,670	12,003	None	Monthly	30 days
HRJ Capital Special Opportunities II (U.S.) L.P. [k]	715	810	123	Illiquid	N/A
HRJ Capital Special Opportunities II (International) L.P. [l]	681	649	158	Illiquid	N/A
Park Street Capital Private Equity Fund IX, L.P. [m]	1,783	1,525	230	Illiquid	N/A
Park Street Capital Private Equity Fund X, L.P. [o]	1,177	712	1177	Illiquid	N/A
Flag Venture Partners VII, L.P. [n]	1,236	894	84	Illiquid	N/A
Capital Guardian Emerging Markets Total Opportunities Master Fund [t]	5,039	4,811	None	Monthly	5 days
Dover Street VIII Cayman Fund L.P. [u]	985	328	1121	Illiquid	N/A
TrueBridge-Kauffman Fellows Endowment Fund III [v]	571	187	1431	Illiquid	N/A
Total	$64,937	$69,971			

[a] EB Temporary Investment Fund II—The primary investment objective of the Fund is a high level of current income consistent with stability of principal and liquidity. The assets are invested in a diversified portfolio of US Treasuries, federal agencies, sponsored agencies or sponsored corporations, and short-term corporate obligations, maturing in 397 days or less.

[b] MCM International Stock Index Fund—The fund seeks to replicate the performance of the Morgan Stanley Capital International (MSCI) EAFE index with minimal tracking error. The assets are invested in stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

[c] AXIOM International Equity Fund II—The investment philosophy employs a bottom-up growth-oriented investment discipline that relies on detailed fundamental stock analysis to identify companies that are improving more quickly than generally expected. The assets are invested in non-US securities that have a minimum market capitalization of $250 million, are covered by three or more sell-side brokerage analyst, and have liquidity of over $1 million per day.

[d] City of London Investable Emerging Markets Country Fund—This fund employs a value-oriented strategy which seeks to outperform the MSCI Emerging Markets Index while maintaining a lower level of volatility through active country allocation and stock selection. The assets of the fund are primarily invested in closed-end funds as an investment medium. The investment universe includes local and offshore listed as well as New York and UK listed funds.

[e] Archstone ERISA Funds, Ltd.—The fund's objective is to seek consistent long-term growth of capital with reduced volatility compared to the general markets. The fund allocates its capital across a number of strategies that are anticipated to be uncorrelated to each other and whose returns should complement each other. The fund seeks to reduce its individual manager risk by allocating its capital to several managers in each strategy.

[f] Forester Partners, L.P.—The fund employs a fundamental approach to hedge fund research utilizing both qualitative and quantitative analysis. The fund invests in a variety of hedge funds.

[g] Nyes Ledge Capital Offshore Fund—The fund employs a fundamental three-step approach to fund manager selection: determine the economic basis for a particular asset class or market segment, identify appropriate strategies designed to exploit the targeted inefficiency, and source organizations that are properly structured to implement the identified strategies. The fund invests in a variety of hedge funds.

[h] Gresham Investment Management Fund—Tap Fund—The fund employs a long-only strategy that seeks capital appreciation by investing in a portfolio of commodities. The fund invests in six commodity groups: agriculture, base metals, precious metals, softs and others, energy, and livestock and up to five commodities within each group.

[i] Common Fund Capital Natural Resources Partners VII, L.P.—The fund seeks to earn long-term capital appreciation, portfolio diversification through low and negative correlation to other asset classes, and potential as an inflation hedge. The fund invests in 12 to 15 funds in the energy, timber, and natural resources sectors. The bulk of the fund focuses on managers directly involved in oil and gas production and oil field services. The remainder amount is allocated to timber and other energy strategies.

[j] Wellington Strategic Real Asset Pool—The investment strategy seeks to outperform a customized benchmark over a full business cycle. The fund invests in four market segments: global energy equities, global metals and mining equities, commodities, and US TIPS.

[k] HRJ Capital Special Opportunities II (US) L.P.—The fund will target special opportunity funds headquartered in the United States whose investments are primarily in portfolio companies with operations in the United States. The fund made commitments to six to eight domestic managers pursuing turnaround, distressed, and special situations strategies.

[l] HRJ Capital Special Opportunities II (International) L.P.—The fund will target special opportunity funds headquartered outside the United States whose investments are primarily in portfolio companies with operations outside the United States. The fund made commitments to six to eight international managers pursuing turnaround, distressed, and special situations strategies.

[m] Park Street Capital Private Equity Fund IX, L.P.—The fund's portfolio will consist predominantly of US-based managers, with a 50/50 split between venture capital and nonventure capital private equity investments. The fund invests in approximately 20 to 25 venture and nonventure private equity managers.

[n] Flag Venture Partners VII, L.P.—The fund's mission is to construct a portfolio of select, top-quality fund managers in order to generate superior returns. The fund will invest in approximately 24 to 25 underlying venture funds. 80% of the fund will be invested in information technology and communications-focused managers, with the balance to health care or specialized strategies.

[o] Park Street Capital Private Equity Fund X, L.P.—The fund's portfolio will consist predominantly of US-based managers, with a 50/50 split between venture capital and nonventure capital private equity investments. The fund invests in approximately 20 to 25 venture and nonventure private equity managers.

[p] Common Fund Capital Natural Resources Partners IX, L.P.—The fund seeks to earn long-term capital appreciation, portfolio diversification through low and negative correlation to other asset classes, and potential as an inflation hedge. The fund invests in 12 to 15 funds in the energy, timber, and natural resources sectors. The bulk of the fund focuses on managers directly involved in oil and gas production and oil field services. The remainder amount is allocated to timber and other energy strategies.

[q] Wellington Global Bond Fund—This fund uses diversified, independent sources of alpha in order to exploit unsynchronized movements in economic activity, interest rates, and credit cycles that impact global bond markets. The goal is to consistently add 100–150 basis points of excess return over the Citigroup World Government Bond Index.

[r] EnTrust Capital Diversified Fund—This fund is a fund-of-funds portfolio that seeks diversification through a combination of managers trading a range of strategies.

[s] Weatherlow Offshore Fund I—This fund is a diversified fund of hedge funds that seeks to generate equity-like returns with bond-like volatility.

[t] Capital Guardian Emerging Markets Total Opportunities Master Fund—This fund seeks to provide emerging markets equity-like returns with lower volatility through a broad array of instruments, including equities, fixed income, and currencies.

[u] Dover Street VIII Cayman Fund L.P.—This fund seeks to generate returns in excess of the private equity market performance and offer differentiated exposure versus traditional public equity.

[v] TrueBridge-Kauffman Fellows Endowment Fund III—This fund seeks to generate returns in excess of private equity market performance and offer differentiated exposure versus traditional public equity.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Land	$ 11,523	$ 11,523
Buildings and improvements	241,699	240,239
Equipment	230,948	220,781
Construction in progress	7,551	5,629
Property and equipment—gross	491,721	478,172
Less accumulated depreciation and amortization	(317,083)	(295,984)
Property and equipment—net	$ 174,638	$ 182,188

Depreciation expense was approximately $21,639,000 and $20,988,000 in 2014 and 2013, respectively. Lutheran HealthCare capitalizes interest during the construction period. During 2014 and 2013, approximately $135,000 and $127,000, respectively, of interest related to construction projects was capitalized.

Substantially, all property, buildings, and equipment serve as collateral for debt obligations.

Equipment under capital leases as of December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Computer hardware and software	$ 9,450	$ 8,975
Equipment	29,134	28,811
Less accumulated amortization	(32,123)	(28,650)
Total	$ 6,461	$ 9,136

8. PROFESSIONAL LIABILITIES

For the period January 1, 1976, through September 30, 1997, the Medical Center was self-insured for professional and other general liability claims. Effective October 1, 1997, the Medical Center purchased primary and excess professional liability coverage on a claims-made basis and general liability coverage on an occurrence basis from a commercial insurer. All other Lutheran HealthCare entities have professional liability insurance under occurrence basis policies.

The professional liabilities are estimated based on the Medical Center's actual claim experience, asserted claims and incidents that have been incurred but not yet reported, estimates of settlement amounts, administrative and other expenses, and similar items. The undiscounted value of estimated professional liabilities at December 31, 2014 and 2013, approximated $113,100,000 and $113,204,000, respectively. These amounts are discounted to the estimated present value of $90,593,000 and $90,676,000 at December 31, 2014 and 2013, respectively, based on a discount factor of 3%. Estimated insurance recoveries were $77,215,000 and $77,198,000 as of December 31, 2014 and 2013, respectively, and are included in other assets in the combined balance sheets.

Various claimants have asserted malpractice and general liability claims against Lutheran HealthCare. The claims are in various stages of processing and some have been or may ultimately be brought to trial. Furthermore, there are known incidents that have occurred through December 31, 2014, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. It is the opinion of Lutheran HealthCare management that the ultimate resolution of the claims will not have a material adverse effect on Lutheran HealthCare's financial position or results of operations.

9. RETIREMENT BENEFITS

Defined Benefit Pension Plan—The Medical Center has a noncontributory-defined benefit pension plan covering those employees of the Medical Center and certain affiliated entities not covered under multiemployer union pension plans. The benefits are based on years of service. This plan was partially frozen in 2003 with one class of employees covered under a union agreement remaining active. All other eligible employees were transferred to a defined contribution plan.

Lutheran HealthCare uses a December 31 measurement date.

Obligations and Funded Status—The defined benefit plan's funded status and amounts recognized in the accompanying combined financial statements as of December 31, 2014 and 2013, are as follows (in thousands):

	2014	2013
Change in benefit obligation:		
Benefit obligation—beginning of year	$ 249,038	$ 266,818
Service cost	6,286	7,177
Interest cost	12,545	11,401
Actuarial loss (gain)	55,599	(27,165)
Benefits paid	(13,081)	(9,193)
Benefit obligation—end of year	310,387	249,038
Change in plan assets:		
Fair value of plan assets—beginning of year	197,558	175,282
Actual return on plan assets	4,876	19,439
Employer contributions	9,232	12,030
Benefits paid	(13,081)	(9,193)
Fair value of plan assets—end of year	198,585	197,558
Net amount recognized	$ 111,802	$ 51,480
Accumulated benefit obligation	$ 288,164	$ 231,525
Components of net periodic benefit cost:		
Service cost	$ 6,286	$ 7,177
Interest cost	12,545	11,401
Expected return of plan assets	(16,423)	(14,938)
Recognized actuarial loss	6,260	10,664
Total net periodic benefit cost	$ 8,668	$ 14,304

Included in unrestricted net assets as of December 31, 2014 and 2013, are unrecognized actuarial losses of $145,168,000 and $84,281,000, respectively, that have not been recognized in net periodic pension cost. The unrecognized actuarial losses expected to be recognized in net periodic pension cost during 2015 are $11,414,000. Unrecognized prior-service costs that have not been recognized in net periodic pension cost are immaterial.

Assumptions—The following assumptions were used to determine benefit obligations as of December 31, 2014 and 2013, respectively:

	2014	2013
Discount rate	4.20 %	5.10 %
Salary increase rate	2.00	2.00

For the years ended December 31, 2014 and 2013, the following assumptions were used to determine net periodic benefit cost:

	2014	2013
Discount rate	5.10 %	4.24 %
Expected long-term return on assets	8.25	8.25
Rate of compensation increase	2.00	2.00

At December 31, 2014, the mortality assumption was determined using the RP-2014 mortality tables with an adjusted fully generational mortality improvement scale, MP-2014 for Blue Collar workers.

Plan Assets—The HSRP administers the assets of Lutheran HealthCare's pension plan. The assets of all of the plans administered by HSRP are maintained in one trust account and allocated to the participating plans. The Plan's asset allocation as of December 31, 2014 and 2013, is set forth in Note 6.

The plan invests in certain funds or asset pools that are managed by investment managers for which no quoted market price is available (see Note 6).

The Board of HSRP assumes the responsibility for establishing the investment policy that is to guide the investment of pension assets. The investment policy describes the degree of investment risk that the Board deems appropriate. Below is a summary of the investment policy.

The fund assets at December 31, 2014 and 2013, are generally to be allocated according to the following target allocation rates:

	2014	2013
US equities	27 %	27 %
Non-US/global equities	14	14
Alternative investments	39	39
Debt securities	20	20
Total	100 %	100 %

The objective of the US equities component is to provide an engine for growth via steady performance with relatively low volatility as compared to other long-only equity assets classes.

The objective for the non-US stock component is to provide an engine for growth and to create diversification for domestic equities on both a geographical and currency level, thereby reducing the presence of domestic bias within the portfolio.

The objective of the alternative investments is to enhance total portfolio return through capital appreciation from investments in illiquid, less efficient, private market opportunities and to provide portfolio diversification via relatively lowly correlated assets.

The objective of the fixed-income component is to help maintain a source of spending during prolonged economic contractions, to provide protection during deflationary periods, and portfolio volatility reduction via steady flow of income and high liquidity.

Ordinary cash flows will be used to maintain the allocation as close as practical to the target allocation. If cash flows are insufficient to maintain the target allocation within the permissible ranges as of any calendar quarter-end, the HSRP staff will transfer balances between the asset classes to bring the allocation back to the target.

Diversification—The fund assets are diversified in an effort to minimize the impact of large losses in individual investments. Multiple investment managers may be retained to further that end.

Investment Objective and Performance Evaluation—The fund's rate of return (net of fees) will be compared with (1) the return of a policy portfolio consisting of 31% of the DJ Wilshire 5000 Stock Index, 14% of the MSCI EAFE, 7% of the MSCI Emerging Markets Index, 14% of the Hedge Fund Research Diversified Fund of Funds Index, 14% of the Real Assets custom blend, and 20% of the Barclays Long-Term Government/Credit Index and (2) the returns of a broad universe of pension funds.

Cash Flows—Lutheran HealthCare expects to contribute $4,500,000 to the Plan in the year ending December 31, 2015.

Future benefit payments by the defined benefit plan, reflective of expected future service, as of December 31, 2014, are expected to be paid as follows (in thousands):

Years Ending December 31	
2015	$11,515
2016	12,550
2017	13,630
2018	14,613
2019	15,900
2020–2024	93,121

Defined Contribution Plan—During 2001, the Medical Center established a 401(k) plan (the "401(k) Plan"), which covers Lutheran HealthCare's employees for full-time nonunion and part-time nonunion employees (scheduled to work at least 50% of the full-time standard) not covered under the defined benefit plan. Contributions of 3% of employees' eligible compensation, subject to certain Internal Revenue Code limitations, are made as a basic employer contribution for all qualifying nonunion and certain union employees. A supplemental discretionary contribution that ranges from 3% to 5% was suspended on April 1, 2011; however, Lutheran HealthCare retained the right to make periodic discretionary contributions to the 401(k) Plan. Contributions under the 401(k) Plan approximated $4,321,000 and $5,797,000 for 2014 and 2013, respectively.

Other Plans—Lutheran HealthCare is also a contributing employer to the 1199 SEIU Health Care Employees Pension Fund (the "Multiemployer Plan"). Contributions to the Multiemployer Plan are made in accordance with contractual agreements under which contributions are based on a percentage of salaries.

Under the Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980, the risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Until such events as described above occur, Lutheran HealthCare's share, if any, of the unfunded vested liabilities cannot be determined. As of December 31, 2014, Lutheran HealthCare has no plans to withdraw from the Multiemployer Plan.

Lutheran HealthCare's participation in the Multiemployer Plan for the years ended December 31, 2014 and 2013, is outlined below:

- The Employee Identification Number is 13-3604862 and the three-digit plan number is 001.

- The Pension Plan Protection Act of 2006 zone status is based on information that Lutheran HealthCare received from the Multiemployer Plan's sponsor and is certified by the Multiemployer Plan's actuary. The Multiemployer Plan is in the green zone indicating that it is at least 80% funded as of January 1, 2014, and January 1, 2013. January 1, 2015, data is not available at this time.

- Lutheran HealthCare was not required to pay a surcharge to the Multiemployer Plan.

- The collective bargaining agreement to which the Multiemployer Plan is subject expires on July 31, 2015.

- Lutheran HealthCare contributed $10,183,000 and $11,000,000 to the Multiemployer Plan for the years ended December 31, 2014 and 2013, respectively. Lutheran HealthCare did not contribute greater than 5% of the total contributions to the Multiemployer Plan and was not listed in the Form 5500 for the Multiemployer Plan for the years ended December 31, 2014 and 2013.

The Multiemployer Plan was certified by its actuary to be in "green zone" status—not seriously nor critically endangered as of January 1, 2014 and 2013. January 1, 2015, data is not available as of this time.

At the date the combined financial statements were issued, Form 5500 was not available for the Multiemployer Plan for the year ended December 31, 2014.

10. OTHER BORROWINGS

The Medical Center has entered into a $10 million line-of-credit agreement with a bank. At the Medical Center's discretion, the line of credit will either have a floating rate based on the prime interest rate or a fixed interest rate at LIBOR, plus 1.25%, for a 30- or 60-day period and then reset at the end of the period. The line of credit expires in September 2015. It is secured by a second position on certain assets of the Medical Center and Sunset Park. The line of credit contains certain covenants, among others, which require compliance with certain financial ratios as well as limits on additional indebtedness. Management is not aware of any noncompliance with such covenants at December 31, 2014 and 2013. As of December 31, 2014 and 2013, the Medical Center had no outstanding borrowings under the line of credit.

Effective January 1, 2014, the Medical Center secured an irrevocable standby letter of credit from TD Bank for $2,084,000 with Empire Blue Cross Blue Shield as beneficiary. The irrevocable standby letter of credit is required pursuant to a minimum premium self-insured agreement with Empire Blue Cross Blue Shield for health benefits for the Medical Center and affiliates' nonunion employees. The letter of credit will be extended automatically, without amendment, for additional periods of one year from the present or each future expiration date. On December 9, 2014, the letter of credit amount was increased to $2,383,000 and extended to December 31, 2015. As of December 31, 2014, no amount was drawn on the letter of credit.

11. LONG-TERM DEBT

Long-term debt as of December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Medical Center mortgage loan [(a)]	$ 33,425	$ 38,989
Augustana mortgage loans [(b)]	22,747	23,401
Sunset Gardens mortgage loan [(c)]	12,972	12,972
Harbor Hill mortgage loan [(d)]	7,627	7,627
Shore Hill Housing loan [(e)]	18,437	18,687
Other indebtedness	18,701	13,162
Total long-term debt	113,909	114,838
Less current portion	8,520	6,525
Total long-term debt—less current portion	$105,389	$108,313

(a) During 2003, the Medical Center entered into a mortgage agreement to refinance certain existing mortgage obligations and to provide additional funds to perform major renovation work at the Medical Center. The Dormitory Authority of the State of New York (DASNY) provided $85.3 million, which was made available from portions of the proceeds of DASNY's sale of Series 2003 revenue bonds. The loan is payable in monthly payments of principal and interest at a fixed rate of 4.15% through 2028. The mortgage is collateralized by a substantial portion of the Medical Center's and Sunset Park's property, buildings and equipment, and unrestricted assets and revenue and is insured by the HUD under Section 242 of the National Housing Act. The mortgage has certain covenants which, among others, require compliance with specified financial ratios for which noncompliance may limit additional indebtedness. On August 21, 2012, the Medical Center closed on a refinancing that modified the mortgage for a reduced interest rate to 2.28% and a reduction in the principal by $5,696,000. The refinancing was funded by the proceeds from Ginnie Mae taxable securities. The proceeds funded an escrow to defease the 2003 revenue bonds. As required, the Medical Center has deposited funds in assets whose use is limited to satisfy the ending balance requirement of $12,579,000 and $11,885,000 as of December 31, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, the Medical Center was in compliance with its required covenants.

(b) Augustana received financing from DASNY. The original mortgage note was $17,928,000. On April 29, 1998, additional financing through a supplemental mortgage note was approved by DASNY for additional project costs in the amount of $2,701,300. Under the terms of Augustana's

refinancing agreement with DASNY in December 2000, principal payments are to be made through March 2035 at an interest rate of 6.65%. The mortgage is insured by HUD under Section 232 of the National Housing Act. Effective March 2012, due to mortgage refinancing, DASNY assigned its rights to Century Health Capital, Inc. at the loan balance amount of $17,566,000 and at an interest rate of 3.73%, maturing on April 1, 2035.

Equal monthly payments of $94,680 commenced on April 1, 2012. All other terms remained the same. In connection with the terms, provisions, and covenants of the mortgage agreement, Augustana is required to make annual deposits in restricted depreciation and replacement reserve funds. Required deposits are $14,355 monthly for replacement reserves, $45,800 for mortgage insurance escrow, and $22,083 for depreciation funds. The balance of this mortgage was $16,176,000 and $16,698,000 as of December 31, 2014 and 2013, respectively.

In August 2001, Augustana received additional financing for facility expansion. The principal amount was $7,775,000 at an initial interest rate of 8% through October 1, 2002, and 6.75% thereafter. The balance of the mortgage of $6,882,000 was refinanced in July 2012 at an interest rate of 3.73% with rights assigned to Century Health Capital, Inc. The loan matures on October 1, 2042. Required monthly deposits include $3,769 and $2,770 into a replacement reserve and mortgage insurance escrow fund, respectively. The balance of this mortgage was $6,571,000 and $6,703,000 as of December 31, 2014 and 2013, respectively.

(c) Sunset Gardens is a not-for-profit corporation organized pursuant to Article XI of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law to acquire an interest in real property located in Brooklyn, New York, and to construct and operate thereon an apartment complex of 81 units under Section 202 of the National Housing Act. Rental operations began in July 2008, at which time the initial units were completed.

The project has a fully insured HUD mortgage ("capital advance") in the amount of $12,972,000 at December 31, 2014 and 2013. This capital advance bears no interest and need not be repaid so long as the housing remains available to elderly or disabled persons for at least 40 years. Failure to keep the housing available for the elderly or disabled would result in HUD billing the project owner the entire capital advance outstanding, plus interest since the date of the first advance. Management believes that the likelihood that Sunset Gardens will fail to meet its requirements under the HUD mortgage is remote and, accordingly, interest is not being accrued on the mortgage. The amount of such unrecorded interest at December 31, 2014 and 2013, was approximately $4,525,000 and $3,909,000, respectively.

(d) Harbor Hill is a not-for-profit corporation organized pursuant to Article IX of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law to acquire an interest in real property located in Brooklyn, New York, and to construct and operate thereon an apartment complex of 87 units under Section 202 of the National Housing Act. Rental operations began in October 1995, at which time the initial units were completed.

Harbor Hill has a capital advance in the amount of $7,627,000. This capital advance bears no interest and need not be repaid so long as the housing remains available to elderly or disabled persons for at least 40 years. Failure to keep the housing available for elderly or disabled persons would result in HUD billing the project owner the entire capital advance outstanding, plus interest since the date of the first advance. Management believes that the likelihood that Harbor Hill will fail to meet its requirements under the HUD mortgage is remote and, accordingly, interest is not being accrued on the mortgage. The amount of such unrecorded interest at December 31, 2014 and 2013, was approximately $10,443,000 and $9,937,000, respectively.

Under the regulatory agreement, the project is required to set aside $42,960 each year for replacement of property and other project expenditures as approved by HUD. These restricted

deposits are held in separate accounts and generally are not available for operating purposes. These assets are presented as assets limited as to use in the accompanying combined balance sheets.

(e) During 2008, Shore Hill Housing Associates, L.P. obtained financing in the form of a variable-rate $39,000,000 note from the New York State Housing Finance Agency through the issuance of tax-exempt Shore Hill Housing Revenue Bonds, 2008 Series A. Interest-only payments were due monthly until May 2010. The average interest rate on this debt was approximately 4% during 2010 and 5% during 2009. In May 2010, the $39,000,000 note was repaid with $19,500,000 proceeds of limited partner funding (see Note 18) and $19,500,000 permanent mortgage financing with Wells Fargo Bank. Commencing in 2010, monthly payments of principal and interest on the $19,500,000 mortgage totaling $73,000 will be required through December 1, 2044. The note is collateralized by a mortgage on the related property.

Concurrently with the execution of the note, the partnership entered into an interest rate swap agreement with JPMorgan Chase Bank. The swap has a notional amount of $18,458,000 and $18,707,000 at December 31, 2014 and 2013, respectively. The interest rate swap was entered into to manage interest rate risk associated with the related variable rate debt. The swap agreement fixes the interest rate at 3.451% through September 1, 2023. At December 31, 2014 and 2013, the fair value of the swap liability totaled $2,542,000 and $1,735,000, respectively. This amount is reported with other long-term liabilities in the accompanying combined balance sheets. The change in the fair value of the swap totaled $(809,000) and $1,770,000 in 2014 and 2013, respectively. Because the swap has not been designated as a hedge for accounting purposes, these amounts are reported with supplies and expenses. Net settlements on the interest rate swap are included as a component of interest expense in the accompanying combined statements of operations.

Lutheran HealthCare and the counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination. The agreement may be terminated following the occurrence of certain events, at which time Lutheran HealthCare may be required to make a termination payment.

Other Indebtedness—On December 15, 2011, the Medical Center entered into an $18,300,000 nonrevolving credit facility with TD Bank. The facility is structured into a three-year advance draw period after which it converts to a five-year term loan. The annual interest rate is reset monthly and is based on the higher of the (1) LIBOR index, plus 2%, or (2) 2.20%. During the advance period, only interest was paid monthly. On December 15, 2014, the facility converted to the five-year term loan, the monthly payment of principal of $152,500 and interest are based on an amortization of the principal over a 10-year period that will result in a balloon payment of $9,150,000 at December 13, 2019, the end of the loan term. At December 31, 2014, the interest rate in effect was 2.20% and the outstanding balance was $18,300,000. At December 31, 2013, the interest rate in effect was 2.17% and the outstanding balance was $12,705,000.

Maturities of Long-Term Debt—Scheduled repayments of long-term debt as of December 31, 2014, for each of the next five years and thereafter are as follows (in thousands):

Years Ending December 31	
2015	$ 8,520
2016	8,329
2017	4,381
2018	4,462
2019	4,546
Thereafter	83,671
Total	$113,909

Leases—As of December 31, 2014, future minimum payments, by year and in the aggregate, under capital leases and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following (in thousands):

Years Ending December 31	Capital Leases	Operating Leases
2015	$2,868	$ 2,764
2016	1,951	2,575
2017	1,589	1,932
2018	865	1,512
2019	455	1,307
Thereafter		7,808
Total minimum lease payments	7,728	$17,898
Less amount representing interest (various rates)	549	
	$7,179	

Total rental expense charged to operations was $5,185,000 and $4,472,000 in 2014 and 2013, respectively.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 and 2013, are available for the following purposes (in thousands):

	2014	2013
Patient care services and educational programs	$3,651	$3,645
Plant replacement and expansion	1,600	860
	$5,251	$4,505

Permanently restricted net assets as of December 31, 2014 and 2013, were $509,000 and $511,000, respectively, and consisted entirely of amounts to be held in perpetuity, the income from which is unrestricted and can be used for any purpose. During 2010, the State of New York passed the Prudent Management of Institutional Funds Act. Lutheran HealthCare has interpreted this law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board and expended. This law allows the Board to appropriate so much of the net appreciation of permanently restricted net assets as is prudent considering Lutheran HealthCare's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments; price level trends; and general economic conditions. No amounts were appropriated in 2014 or 2013. Accumulated gains are not material.

13. FUNCTIONAL EXPENSES

Lutheran HealthCare provides a comprehensive integrated network of health services.

Functional expenses related to providing such services for the years ended December 31, 2014 and 2013, are as follows (in thousands):

	2014	2013
Health care and related services	$ 644,048	$ 601,701
Program support and general	65,017	70,736
	$ 709,065	$ 672,437

14. CONCENTRATIONS OF CREDIT RISK

Lutheran HealthCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. Significant concentrations of accounts receivable for services to Medicaid patients as of December 31, 2014 and 2013, accounted for approximately 43% and 40%, respectively. Significant concentrations of accounts receivable for services to Medicare patients as of December 31, 2014 and 2013, accounted for approximately 33% and 34%, respectively.

Lutheran HealthCare routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid US government and agency obligations. Investments in money market funds may not be insured or guaranteed by the US government.

At December 31, 2014 and 2013, approximately $11,700,000 and $27,000,000, respectively, of Lutheran Healthcare's investments in corporate debt obligations were invested in companies in the financial services sector.

15. ACCRUED MEDICAL COSTS

Activity in the liability for accrued medical costs for the years ended December 31, 2014 and 2013, is summarized as follows (in thousands):

	2014	2013
Balance—beginning of year	$ 4,898	$ 5,852
Less stop-loss insurance receivables—net	(42)	(4,751)
Net balance—beginning of year	4,856	1,101
Incurred related to:		
Prior years	6,385	(5,820)
Total incurred	6,385	(5,820)
Paid related to:		
Prior years	(9,320)	9,575
Total paid	(9,320)	9,575
Net balance—end of year	1,921	4,856
Plus stop-loss insurance receivable—net		42
Balance—December 31	$ 1,921	$ 4,898

16. AFFILIATION AGREEMENT

Affiliation Agreement between the Medical Center and Sunset Park—Effective July 1, 2007 ("Effective Date"), the Medical Center transferred the operations of the Health Center to Sunset Park to comply with the requirements of the Health Resources and Services Administration (within the US Department of Health and Human Services) in order to maintain eligibility for a Federal Section 330 grant ("330 grant"). The Medical Center and Sunset Park entered into an Affiliation Agreement and a support services agreement whereby Sunset Park has been established by NYSDOH as a "co-operator" of the Health Center and the Medical Center continues to provide support services to allow the Health Center to operate as it did before the transaction. The Health Center operates under the Medical Center's New York State operating certificate and state and federal provider numbers. Patient care services are billed to patients and third-party payors (principally Medicaid and Medicare) by the Medical Center. Although the Medical Center continues to bill for all patient care services furnished by the Health Center in the Medical Center's name and under the Medical Center's provider numbers, all of the Health Center's patient revenues contractually inure to the benefit of Sunset Park under the terms of the Affiliation Agreement. There are several common board members; however, neither the Medical Center nor Sunset Park have the ability to exercise majority control of the other's board of directors.

A steering committee of equal representation from both entities is responsible for overseeing and facilitating the clinical and administrative arrangements between the Medical Center and Sunset Park. The Medical Center and Sunset Park continue to cooperate in implementing a coordinated and integrated quality assurance/quality management program for the Health Centers.

Accounting for the Affiliation Agreement—Following execution of the Affiliation Agreement, substantially all of the operations and the related assets of the Health Center were transferred to, and its liabilities were assumed by, Sunset Park. The assets transferred and liabilities assumed were accounted for in a manner similar to a pooling of interests whereby Sunset Park initially recognized the assets and liabilities transferred at their carrying amounts in the accounts of the Medical Center as of January 1, 2007.

Provision of Clinical Services—Sunset Park is responsible for ensuring that the clinical services of the Health Centers are available and accessible promptly, as appropriate, and in a manner, which ensures continuity of service to the residents of each Health Center's area. In providing clinical services, the parties agreed to utilize the licensed physicians and other health care professionals employed and/or otherwise engaged by Sunset Park. Such physicians are also generally members of the medical and dental staffs of the Medical Center.

Sunset Park Authority—Sunset Park has all of the authority, with respect to the Health Center, required to qualify as a federally qualified health center and to receive Section 330 grants and has autonomy over all decisions related to operation of the Health Center.

Property and Equipment—As of the Effective Date, title to the property, equipment, and supplies associated with the Health Center remained with the Medical Center. Sunset Park obtained authority to use the property in connection with its cooperation of the Health Center. The property and equipment associated with the Health Center remained subject to HUD mortgage covenants (see Note 11). The Medical Center agreed to include Sunset Park as joint owner on the title of three health centers with a net book value of approximately $2,712,000 as of the Effective Date and agreed to transfer full title for these three health center facilities to Sunset Park upon the expiration of the HUD covenants. Commencing on the Effective Date, the parties agreed that the Health Center's facilities will be utilized exclusively for the operation of the 330 grant-supported health centers. Under certain circumstances, the Medical Center has agreed to fund Sunset Park's annual capital improvements in an amount equal to the lower of $1,500,000 or Sunset Park's depreciation expense for the year.

Employees—Certain physicians and senior management personnel were transferred to Sunset Park's employ during 2007 and the remainder of the nonunionized management personnel were transferred to Sunset Park's employ in 2008. After the Effective Date, Sunset Park began to directly employ or engage any additional clinical staff that provides health services to the Health Center's patients. Certain of the Medical Center employees, including those covered by collective bargaining agreements executed by and binding on the Medical Center, provide services to the Health Center. Such employees remain employees of the Medical Center, but are contracted to Sunset Park.

Services and Flow of Funds—Sunset Park maintains a bank account into which all 330 grant funds (and other grants for which Sunset Park is the direct recipient) are directly deposited. The Medical Center bills patients and third parties, including Medicare and New York State Medicaid, for the Health Center's services generally in accordance with Sunset Park's schedule of charges and discounts. The Medical Center has agreed to collect such billings in accordance with Sunset Park's collection policies. Such collections are initially deposited into the accounts of the Medical Center; however, separate accountability is maintained. The parties agreed to allocate certain amounts initially received or paid by the Medical Center. Amounts allocated include: (i) the New York State general hospital indigent care

pool (or successor pool) distributions attributable to the provision of uncompensated care services at the Health Center sites, (ii) costs associated with physician supervision and training of residents in the Medical Center-sponsored residency programs in connection with their clinical rotations to Health Center sites, (iii) Medicare graduate medical education reimbursement associated with dental and other residents whose principal site of training consists of one or more Health Center sites, and (iv) costs related to the occupational health program operated through the Health Center. The amounts to be transferred are determined prospectively based on mutually agreed-upon annual budgets.

The Medical Center provides certain administrative support services, including accounting, human resources support, and information technology/systems management support for which it receives an annual fees. The Medical Center also pays certain nonpayroll and payroll amounts on behalf of Sunset Park and certain other amounts are paid by the Medical Center and allocated to Sunset Park based upon predetermined annual budgets. On a monthly basis, the excess (or deficiency) of cash collected, plus or minus allocated net revenue or expenses, over expenses paid by the Medical Center on Sunset Park's behalf and the Medical Center service fees for providing support services is reported with the current portion of due from the Medical Center. Such amount is due on demand.

Term of the Agreements—The Affiliation Agreement and support services agreement remain in effect for so long as Sunset Park receives the 330 grant to support the Health Center and the parties remain established as co-operators of the Health Center clinical sites in accordance with New York law, unless otherwise terminated in the event of a material breach of any material term or condition of the agreements or upon the mutual agreement of Sunset Park and the Medical Center (the "Parties"). The Agreement will also terminate immediately in the event of the revocation, termination, or expiration of the Section 330 grant. Upon termination or expiration of this Agreement, the Parties agreed to cooperate in the orderly winding down of the co-operation of the Health Center.

17. COMMITMENTS AND CONTINGENCIES

Sale of the Plan's Operating and Nonfinancial Assets—On October 24, 2011, the Plan entered into an asset purchase agreement (APA) with Amerigroup. The transaction received all the required regulatory and legal approvals and closed on May 1, 2012. The Plan realized approximately $69 million in 2012 related to this transaction.

Under the terms of the APA, Amerigroup purchased all of the Plan's operating and nonfinancial assets, including property and equipment and the Plan's rights and obligations after April 30, 2012, under its Medicaid, FHP, CHP and Medicare contracts, including the right to provide services and receive the premium for such services. The purchase price of $85 million was received by the Plan in cash at closing. Of this amount, $5 million is being held in escrow for 18 months and an additional $5 million is being held in escrow for 36 months to settle claims which may arise under the APA. These amounts, plus interest earnings, are included in assets limited as to use in the combined balance sheets. During 2013, $5 million of the escrow account was released in accordance with the APA.

Amerigroup did not purchase the Plan's cash and cash equivalents, investments, premiums and other receivables, assets limited as to use as of the closing date, or any other financial assets. Further, Amerigroup is not responsible for liabilities that existed up to and including the closing date (including medical claim liabilities). As of May 1, 2012, Amerigroup assumed the obligations and liabilities under the assumed provider and payor contracts and other assumed contracts and for all activities occurring after the closing date and related solely to dates of service after April 30, 2012.

The Plan and the Medical Center have agreed that the Plan will remain in existence for a period of at least 36 months following the closing date and will maintain cash and investments in an amount necessary to satisfy its liabilities. As of May 1, 2012, Amerigroup and the Plan entered into a management services agreement under which Amerigroup will provide various services, including the collection of amounts due to the Plan and the payment of Plan liabilities.

The Plan distributed $75 million on May 1, 2012, and $30 million to the Medical Center during 2013. The Plan received approval from NYSDOH and NYSDFS to distribute an additional $50 million to the Medical Center, this transfer was done in 2014. Of the $50 million distributed in 2014, $20 million was from assets limited as to use account.

Litigation and Regulatory Investigations—In a suit filed by the Augustana's nurses under the Fair Labor Standards Act and the New York Labor Law, registered and licensed practical nurses of Augustana sought to recover salaries which were not paid properly for overtime and/or minimum wages for all hours worked. The complaint was filed on May 14, 2012, and the parties settled this lawsuit in 2013 for $2,900,000, which settlement was approved by the court on April 11, 2014. The liability was fully paid in 2014.

Laws and regulations governing health care programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs. Lutheran HealthCare is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Lutheran HealthCare's financial position, results of operations, or cash flows.

Collective Bargaining Agreement—The organization is subject to collective bargaining agreements with respect to its RN and LPN nursing staff and certain other administrative and clinical positions. The current agreement for RNs runs through February 28, 2016, and covers approximately 700 staff. The agreement for substantially all other union staff runs through September 30, 2018, and covers approximately 2,000 staff.

18. SHORE HILL HOUSING COMPANY RESTRUCTURING

During 2008, Shore Hill restructured the ownership and financing of its apartment building for low-income senior citizens to enable the rehabilitation and improvement of the facility (the "restructuring"). In order to achieve the restructuring, a partnership (Shore Hill Housing Associates, L.P. (the "Partnership")) was formed.

Shore Hill Housing Associates GP, Inc. ("General Partner"), which is owned 79% by Shore Hill and 21% by the Lutheran Foundation, is the general partner and owns 0.01% of the Partnership. The partnership agreement provides that the General Partner has complete and exclusive control over the management of the Partnership. The limited partners are not liable for any debts, liabilities, losses, contracts, or other obligations of the Partnership. They are only liable to make capital contributions in the amounts and on the dates as specified in the Partnership agreement. The Medical Center and certain of its affiliates are responsible for all such obligations and losses. The Partnership term is through December 31, 2058, unless terminated earlier. Based on the nature of Lutheran HealthCare's control and economic interest in the Partnership, the Partnership has been included in Lutheran HealthCare's combined financial statements.

The General Partner may not sell, exchange, lease (outside of the normal course of business to qualified tenants), or otherwise dispose of the property without the consent of the limited partners. The General Partner also may not use Partnership assets, property, or improvements to secure the debt of any partners, their affiliates, or any third party. The Partnership is also required to maintain a minimum debt service coverage ratio. For the years ended December 31, 2014 and 2013, the Partnership was in compliance with the requirement.

Capital Contributions—The General Partner is required to make capital contributions of $1,000,000. The Limited Partner has agreed to make a capital contributions totaling $22,442,000, subject to possible adjustments based on the amount of low-income housing tax credits ultimately allocated to the Partnership, in addition to other potential occurrences. Payments are due upon reaching certain milestones during the life of the project. All Limited Partner capital contributions have been received as of December 31, 2014 and 2013. Cumulative capital contributions at December 31, 2014 and 2013, totaled $22,658,000. Such contributions are subject to recapture if the organization does not comply with the regulatory agreement or certain tax requirements for a period of 20 years. Management intends to comply with all requirements necessary to sustain the tax credits and believes that the likelihood of this not happening is remote.

The capital contributions are being accounted for as prepaid rent and are being deferred and will be recognized as revenue on a straight-line basis over a period of 20 years, which commenced with completion of the project in 2010. During 2014 and 2013, approximately $1,131,000 was recognized as revenue. At December 31, 2014 and 2013, approximately $16,966,000 and $18,097,000, respectively, of deferred revenue is reported in other long-term liabilities in the accompanying combined balance sheets.

Sale of Beneficial Rights to the Property—Pursuant to the restructuring, Shore Hill sold the beneficial rights to its property to the Partnership. Because the Partnership is included in the combined financial statements, the gain on the sale has been eliminated in preparing the combined financial statements and the property is stated at its historical cost basis. Shore Hill retained legal title to the property and a right of first refusal to repurchase the beneficial rights in certain circumstances, subject to the existing debt on the property, at a price expected to equal to one dollar, plus applicable taxes.

19. SUBSEQUENT EVENT

Effective April 1, 2015, the Medical Center entered into an affiliation agreement with NYU Hospitals Center pursuant to which, the Medical Center changed its name to NYU Lutheran Medical Center and NYU Langone Health System became its sole corporate member. NYU Langone Health System is also the sole corporate member for NYU Hospitals Center.

Lutheran HealthCare has evaluated subsequent events through May 27, 2015, which is the date the combined financial statements were issued.

* * * * * *

SUPPLEMENTAL COMBINING INFORMATION

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEET
AS OF DECEMBER 31, 2014
(In thousands)

ASSETS	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
CURRENT ASSETS:								
Cash and cash equivalents	$ 15,307	$ 5,499	$ 3,299	$ 2,261	$ 125	$ 2,252	$ -	$ 28,743
Investments	14,421	1,480						15,901
Assets limited as to use			209	1,201				1,410
Patient accounts receivable—net	73,840		6,265		1,860	2,594		84,559
Premiums receivable								-
Other receivables	9,655			86	37	156		9,934
Due from third-party payors	17,672		882		126			18,680
Due from related entities	8,542				4	241	(8,787)	-
Other current assets	27,441	120	414	368	1,287	146		29,776
Total current assets	166,878	7,099	11,069	3,916	3,439	5,389	(8,787)	189,003
ASSETS LIMITED AS TO USE—Less current portion	18,145	21,416	7,142	3,115				49,818
INVESTMENTS—Less current portion	133,247							133,247
PROPERTY AND EQUIPMENT—Net	113,224		12,508	51,732	1,466	1,386	(5,678)	174,638
OTHER ASSETS	79,075		253	1,343				80,671
TOTAL	$ 510,569	$ 28,515	$ 30,972	$ 60,106	$ 4,905	$ 6,775	$ (14,465)	$ 627,377

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

(Continued)

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEET
AS OF DECEMBER 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
CURRENT LIABILITIES:								
Accounts payable and accrued expenses	$ 40,472	$ 3,401	$ 1,059	$ 469	$ 2,100	$ 521	$ -	$ 48,022
Accrued salaries and related liabilities	26,398		1,758	84	1,306	385		29,931
Accrued medical costs		1,921						1,921
Current portion of obligations under capital leases	2,618							2,618
Current portion of long-term debt	7,584		674	262				8,520
Current portion of professional liabilities	2,600							2,600
Due to related entities		220	2,907	287	2,459	2,914	(8,787)	-
Other current liabilities	10,118		209	2,542				12,869
Current portion of due to third-party payors	3,888	5,317	526					9,731
Total current liabilities	93,678	10,859	7,133	3,644	5,865	3,820	(8,787)	116,212
DUE TO THIRD-PARTY PAYORS—Less current portion	35,396							35,396
PROFESSIONAL LIABILITIES—Less current portion	87,993							87,993
OBLIGATIONS UNDER CAPITAL LEASES—Less current portion	4,561							4,561
LONG-TERM DEBT—Less current portion	44,542		22,073	38,774				105,389
ACCRUED PENSION LIABILITY	111,802							111,802
OTHER LONG-TERM LIABILITIES	1,781			17,163				18,944
Total liabilities	379,753	10,859	29,206	59,581	5,865	3,820	(8,787)	480,297
NET ASSETS:								
Unrestricted	125,257	17,656	1,565	525	(960)	2,955	(5,678)	141,320
Temporarily restricted	5,251							5,251
Permanently restricted	308		201					509
Total net assets	130,816	17,656	1,766	525	(960)	2,955	(5,678)	147,080
TOTAL	$ 510,569	$ 28,515	$ 30,972	$ 60,106	$ 4,905	$ 6,775	$ (14,465)	$ 627,377

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

(Concluded)

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEETS
AS OF DECEMBER 31, 2014
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 12,740	$ 2,567	$ -	$ 15,307
Investments	14,421			14,421
Patient accounts receivable—net	63,437	10,403		73,840
Other receivables	2,721	6,934		9,655
Due from third-party payors	17,672			17,672
Due from related entity	9,600	1,001	(2,059)	8,542
Other current assets	27,441	1,142	(1,142)	27,441
Total current assets	148,032	22,047	(3,201)	166,878
ASSETS LIMITED AS TO USE—Less current portion	18,145	723	(723)	18,145
INVESTMENTS	133,247			133,247
PROPERTY AND EQUIPMENT—Net	113,224	16,554	(16,554)	113,224
OTHER ASSETS	85,716	235	(6,876)	79,075
TOTAL	$ 498,364	$ 39,559	$ (27,354)	$ 510,569
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 40,472	$ 3,436	$ (3,436)	$ 40,472
Accrued salaries and related liabilities	19,757	7,357	(716)	26,398
Current portion of obligations under capital leases	2,618			2,618
Current portion of long-term debt	7,584			7,584
Current portion of professional liabilities	2,600			2,600
Due to related entity	525	1,534	(2,059)	-
Other liabilities	10,118			10,118
Current portion of due to third-party payors	3,888	525	(525)	3,888
Total current liabilities	87,562	12,852	(6,736)	93,678
DUE TO THIRD-PARTY PAYORS—Less current portion	35,396	17,877	(17,877)	35,396
PROFESSIONAL LIABILITIES—Less current portion	87,993			87,993
OBLIGATIONS UNDER CAPITAL LEASES—Less current portion	4,561			4,561
LONG-TERM DEBT—Less current portion	44,542			44,542
ACCRUED PENSION LIABILITY	111,802			111,802
OTHER LONG-TERM LIABILITIES	3,249	1,273	(2,741)	1,781
Total liabilities	375,105	32,002	(27,354)	379,753
NET ASSETS:				
Unrestricted	118,423	6,834		125,257
Temporarily restricted	4,528	723		5,251
Permanently restricted	308			308
Total net assets	123,259	7,557	-	130,816
TOTAL	$ 498,364	$ 39,559	$ (27,354)	$ 510,569

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEET
AS OF DECEMBER 31, 2013
(In thousands)

ASSETS	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
CURRENT ASSETS:								
Cash and cash equivalents	$ 11,243	$13,863	$ 4,976	$ 2,854	$ 624	$2,498	$ -	$ 36,058
Investments	13,650	34,479						48,129
Assets limited as to use			248	1,201				1,449
Patient accounts receivable—net	71,399		7,586		1,806	2,046		82,837
Premiums receivable		3,449						3,449
Other receivables	11,180	43		87	50	140		11,500
Due from third-party payors	13,779		1,174		85			15,038
Due from related entities	5,455		120		434	329	(6,338)	-
Other current assets	22,797	512	543	284	1,004	158		25,298
Total current assets	149,503	52,346	14,647	4,426	4,003	5,171	(6,338)	223,758
ASSETS LIMITED AS TO USE—Less current portion	16,673	41,042	8,908	2,983				69,606
INVESTMENTS	103,770							103,770
PROPERTY AND EQUIPMENT—Net	119,351		13,311	53,017	1,064	1,285	(5,840)	182,188
OTHER ASSETS	79,073		256	1,414				80,743
TOTAL	$468,370	$93,388	$37,122	$61,840	$5,067	$6,456	$(12,178)	$660,065

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

(Continued)

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEET
AS OF DECEMBER 31, 2013
(In thousands)

LIABILITIES AND NET ASSETS	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
CURRENT LIABILITIES:								
Accounts payable and accrued expenses	$ 34,100	$ 9,028	$ 4,707	$ 713	$2,232	$ 580	$ -	$ 51,360
Accrued salaries and related liabilities	25,513		1,811	118	1,493	358		29,293
Accrued medical costs		4,898						4,898
Current portion of obligations under capital leases	3,012							3,012
Current portion of long-term debt	5,622		654	249				6,525
Current portion of professional liabilities	2,600							2,600
Due to related entities	626	194	4,040	84	626	768	(6,338)	-
Other current liabilities	12,807		212	1,733		172		14,924
Current portion of due to third-party payors	6,103	7,891	469					14,463
Total current liabilities	90,383	22,011	11,893	2,897	4,351	1,878	(6,338)	127,075
DUE TO THIRD-PARTY PAYORS	30,439							30,439
PROFESSIONAL LIABILITIES—Less current portion	88,076							88,076
OBLIGATIONS UNDER CAPITAL LEASES—Less current portion	5,485							5,485
LONG-TERM DEBT—Less current portion	46,530		22,747	39,036				108,313
ACCRUED PENSION LIABILITY	51,480							51,480
OTHER LONG-TERM LIABILITIES	1,625			18,295				19,920
Total liabilities	314,018	22,011	34,640	60,228	4,351	1,878	(6,338)	430,788
NET ASSETS:								
Unrestricted	149,575	71,377	2,243	1,612	716	4,578	(5,840)	224,261
Temporarily restricted	4,469		36					4,505
Permanently restricted	308		203					511
Total net assets	154,352	71,377	2,482	1,612	716	4,578	(5,840)	229,277
TOTAL	$468,370	$93,388	$37,122	$61,840	$5,067	$6,456	$(12,178)	$660,065

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

(Concluded)

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—BALANCE SHEET
AS OF DECEMBER 31, 2013
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 10,266	$ 977	$ -	$ 11,243
Investments	13,650			13,650
Patient accounts receivable—net	61,490	9,909		71,399
Other receivables	4,680	6,500		11,180
Due from third-party payors	13,779			13,779
Due from related entity	5,271	12,196	(12,012)	5,455
Other current assets	22,797	214	(214)	22,797
Total current assets	131,933	29,796	(12,226)	149,503
ASSETS LIMITED AS TO USE—Less current portion	16,673	753	(753)	16,673
INVESTMENTS	103,770			103,770
PROPERTY AND EQUIPMENT—Net	119,351	16,559	(16,559)	119,351
OTHER ASSETS	85,910	241	(7,078)	79,073
TOTAL	$457,637	$47,349	$(36,616)	$468,370
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 34,100	$ 2,471	$ (2,471)	$ 34,100
Accrued salaries and related liabilities	19,350	6,855	(692)	25,513
Current portion of obligations under capital leases	3,012	97	(97)	3,012
Current portion of long-term debt	5,622			5,622
Current portion of professional liabilities	2,600			2,600
Due to related entity	12,263	375	(12,012)	626
Other liabilities	12,807			12,807
Current portion of due to third-party payors	6,103	828	(828)	6,103
Total current liabilities	95,857	10,626	(16,100)	90,383
DUE TO THIRD-PARTY PAYORS—Less current portion	30,439	17,352	(17,352)	30,439
PROFESSIONAL LIABILITIES—Less current portion	88,076			88,076
OBLIGATIONS UNDER CAPITAL LEASES—Less current portion	5,485	326	(326)	5,485
LONG-TERM DEBT—Less current portion	46,530			46,530
ACCRUED PENSION LIABILITY	51,480			51,480
OTHER LONG-TERM LIABILITIES	3,163	1,300	(2,838)	1,625
Total liabilities	321,030	29,604	(36,616)	314,018
NET ASSETS:				
Unrestricted	132,583	16,992		149,575
Temporarily restricted	3,716	753		4,469
Permanently restricted	308			308
Total net assets	136,607	17,745	-	154,352
TOTAL	$457,637	$47,349	$(36,616)	$468,370

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
REVENUE:								
Net patient service revenue (after contractual allowances and discounts)	$564,190	$ -	$29,295	$ -	$ 36,699	$ 8,192	$(14,762)	$623,614
Provision for bad debts	(33,364)		(515)			(108)		(33,987)
Net patient service revenue—net of provision for bad debts	530,826	-	28,780	-	36,699	8,084	(14,762)	589,627
Premium revenue	9,720							9,720
Grant income	46,910			98				47,008
Investment income	2,631	3,515	32	12	2	2		6,194
Net assets released from restrictions	7,086							7,086
Other revenue	15,299		240	9,724	519	4,044	(2,152)	27,674
Total revenue	612,472	3,515	29,052	9,834	37,220	12,130	(16,914)	687,309
EXPENSES:								
Salaries and wages	291,108		15,449	1,038	37,390	8,367	(75)	353,277
Employee benefits	97,671		5,742	776	5,047	2,506	(28)	111,714
Supplies and expenses	201,813	1,123	6,387	5,919	14,024	2,824	(16,811)	215,279
Medical costs		2,822						2,822
Depreciation and amortization	18,747		1,328	1,737	174	56	(162)	21,880
Interest	1,782		860	1,451				4,093
Total expenses	611,121	3,945	29,766	10,921	56,635	13,753	(17,076)	709,065
OPERATING INCOME (LOSS)	1,351	(430)	(714)	(1,087)	(19,415)	(1,623)	162	(21,756)
NONOPERATING GAINS (LOSSES)								
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,351	(430)	(714)	(1,087)	(19,415)	(1,623)	162	(21,756)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Defined benefit plan adjustments	(60,887)							(60,887)
Changes in unrealized gains and losses on investments	1,488	(3,291)						(1,803)
Contributions	1,302							1,302
Transfers from (to) related entities	32,261	(50,000)			17,739			-
Net assets released from restrictions for capital acquisitions	167		36					203
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (24,318)	$(53,721)	$ (678)	$ (1,087)	$ (1,676)	$ (1,623)	$ 162	$ (82,941)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
REVENUE:				
Net patient service revenue (after contractual allowances and discounts)	$ 434,749	$ 130,317	$ (876)	$564,190
Provision for bad debts	(26,527)	(6,837)		(33,364)
Net patient service revenue—net of provision for bad debts	408,222	123,480	(876)	530,826
Premium revenue		9,720		9,720
Grant income		46,910		46,910
Investment income	2,627	4		2,631
Net assets released from restrictions	6,736	350		7,086
Other revenue	23,448	4,510	(12,659)	15,299
Total revenue	441,033	184,974	(13,535)	612,472
EXPENSES:				
Salaries and wages	195,585	95,523		291,108
Employee benefits	68,671	29,000		97,671
Supplies and expenses	157,936	57,412	(13,535)	201,813
Depreciation and amortization	16,432	2,315		18,747
Interest	1,766	16		1,782
Total expenses	440,390	184,266	(13,535)	611,121
OPERATING INCOME	643	708	-	1,351
NONOPERATING GAINS				-
EXCESS OF REVENUE OVER EXPENSES	643	708	-	1,351
OTHER CHANGES IN UNRESTRICTED NET ASSETS:				
Defined benefit plan adjustments	(60,887)			(60,887)
Changes in unrealized gains and losses on investments	1,488			1,488
Contributions		1,302		1,302
Transfers from related entities	44,438	(12,177)		32,261
Net assets released from restrictions for capital acquisitions	158	9		167
DECREASE IN UNRESTRICTED NET ASSETS	$ (14,160)	$ (10,158)	$ -	$ (24,318)

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
REVENUE:								
Net patient service revenue (after contractual allowances and discounts)	$536,824	$ -	$33,842	$ -	$ 29,777	$ 7,357	$(14,009)	$593,791
Provision for bad debts	(24,872)		(874)			(172)		(25,918)
Net patient service revenue—net of provision for bad debts	511,952	-	32,968	-	29,777	7,185	(14,009)	567,873
Premium revenue	9,530	(2,222)						7,308
Grant income	50,745			114				50,859
Investment income	2,482	2,953	35	15	1	6		5,492
Net assets released from restrictions	5,319		2					5,321
Other revenue	23,708		1,278	9,552	567	3,373	(9,651)	28,827
Total revenue	603,736	731	34,283	9,681	30,345	10,564	(23,660)	665,680
EXPENSES:								
Salaries and wages	278,216		16,023	988	28,010	6,971	(43)	330,165
Employee benefits	101,597		6,104	428	3,746	1,783	(15)	113,643
Supplies and expenses	196,708	8,089	9,783	7,106	10,330	3,170	(23,602)	211,584
Medical costs		(5,820)						(5,820)
Depreciation and amortization	18,192		1,390	1,739	78	15	(162)	21,252
Interest	1,855		884	(1,126)				1,613
Total expenses	596,568	2,269	34,184	9,135	42,164	11,939	(23,822)	672,437
OPERATING INCOME (LOSS)	7,168	(1,538)	99	546	(11,819)	(1,375)	162	(6,757)
NONOPERATING GAINS (LOSSES)		1	(900)					(899)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	7,168	(1,537)	(801)	546	(11,819)	(1,375)	162	(7,656)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Defined benefit plan adjustments	42,330							42,330
Changes in unrealized gains and losses on investments	4,464	(1,430)						3,034
Contributions	272							272
Transfers from (to) related entities	12,446	(25,000)			12,554			-
Net assets released from restrictions for capital acquisitions	4,188							4,188
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 70,868	$(27,967)	$ (801)	$ 546	$ 735	$ (1,375)	$ 162	$ 42,168

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
REVENUE:				
Net patient service revenue (after contractual allowances and discounts)	$ 415,790	$ 121,910	$ (876)	$536,824
Provision for bad debts	(20,271)	(4,601)		(24,872)
Net patient service revenue—net of provision for bad debts	395,519	117,309	(876)	511,952
Premium revenue		9,530		9,530
Grant income		50,745		50,745
Investment income	2,473	9		2,482
Net assets released from restrictions	4,859	460		5,319
Other revenue	29,614	6,492	(12,398)	23,708
Total revenue	432,465	184,545	(13,274)	603,736
EXPENSES:				
Salaries and wages	187,552	90,664		278,216
Employee benefits	72,116	29,481		101,597
Supplies and expenses	148,418	61,564	(13,274)	196,708
Depreciation and amortization	15,912	2,280		18,192
Interest	1,841	14		1,855
Total expenses	425,839	184,003	(13,274)	596,568
OPERATING INCOME	6,626	542	-	7,168
NONOPERATING GAINS				-
EXCESS OF REVENUE OVER EXPENSES	6,626	542	-	7,168
OTHER CHANGES IN UNRESTRICTED NET ASSETS:				
Defined benefit plan adjustments	42,330			42,330
Changes in unrealized gains and losses on investments	4,464			4,464
Contributions		272		272
Transfers from related entities	2,710	9,736		12,446
Net assets released from restrictions for capital acquisitions	1,967	2,221		4,188
INCREASE IN UNRESTRICTED NET ASSETS	$ 58,097	$ 12,771	$ -	$ 70,868

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
Unrestricted Net Assets								
NET ASSETS—Beginning of year	$149,575	$ 71,377	$2,243	$ 1,612	$ 716	$ 4,578	$(5,840)	$224,261
Excess (deficiency) of revenues over expenses	1,351	(430)	(714)	(1,087)	(19,415)	(1,623)	162	(21,756)
Changes in unrealized gains and losses on investments	1,488	(3,291)						(1,803)
Contributions	1,302							1,302
Net assets released for capital acquisitions	167		36					203
Defined benefit plan adjustments	(60,887)							(60,887)
Transfers from (to) related entities	32,261	(50,000)			17,739			-
Change in net assets	(24,318)	(53,721)	(678)	(1,087)	(1,676)	(1,623)	162	(82,941)
NET ASSETS—End of year	$125,257	$ 17,656	$1,565	$ 525	$ (960)	$ 2,955	$(5,678)	$141,320
Temporarily Restricted Net Assets								
NET ASSETS—Beginning of year	$ 4,469	$ -	$ 36	$ -	$ -	$ -	$ -	$ 4,505
Contributions	8,035							8,035
Net assets released for operating expenses	(7,086)							(7,086)
Net assets released for capital acquisitions	(167)		(36)					(203)
Change in net assets	782	-	(36)	-	-	-	-	746
NET ASSETS—End of year	$ 5,251	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,251
Permanently Restricted Net Assets								
NET ASSETS—Beginning of year	$ 308	$ -	$ 203	$ -	$ -	$ -	$ -	$ 511
Loss on beneficial interest in perpetual trust			(2)					(2)
NET ASSETS—End of year	$ 308	$ -	$ 201	$ -	$ -	$ -	$ -	$ 509

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
Unrestricted Net Assets				
NET ASSETS—Beginning of year	$132,583	$ 16,992	$ -	$149,575
Excess of revenue over expenses	643	708		1,351
Defined benefit plan adjustments	(60,887)			(60,887)
Changes in net unrealized gains and losses on investments	1,488			1,488
Contributions		1,302		1,302
Net assets released for capital acquisitions	158	9		167
Transfers from related entities	44,438	(12,177)		32,261
Change in net assets	(14,160)	(10,158)	-	(24,318)
NET ASSETS—End of year	$118,423	$ 6,834	$ -	$125,257
Temporary Restricted Net Assets				
NET ASSETS—Beginning of year	$ 3,716	$ 753	$ -	$ 4,469
Contributions	7,706	329		8,035
Net assets released from restriction for operating expenses	(6,736)	(350)		(7,086)
Net assets released from restriction for capital acquisitions	(158)	(9)		(167)
Change in net assets	812	(30)	-	782
NET ASSETS—End of year	$ 4,528	$ 723	$ -	$ 5,251
Permanently Restricted Net Assets				
NET ASSETS—Beginning and end of year	$ 308	$ -	$ -	$ 308

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION—CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
Unrestricted Net Assets								
NET ASSETS—Beginning of year	$ 78,707	$ 99,344	$3,044	$1,066	$ (19)	$ 5,953	$(6,002)	$182,093
Excess (deficiency) of revenues over expenses	7,168	(1,537)	(801)	546	(11,819)	(1,375)	162	(7,656)
Changes in unrealized gains and losses on investments	4,464	(1,430)						3,034
Contributions	272							272
Net assets released for capital acquisitions	4,188							4,188
Defined benefit plan adjustments	42,330							42,330
Transfers from (torelated entities	12,446	(25,000)			12,554			-
Change in net assets	70,868	(27,967)	(801)	546	735	(1,375)	162	42,168
NET ASSETS—End of year	$149,575	$ 71,377	$2,243	$1,612	$ 716	$ 4,578	$(5,840)	$224,261
Temporarily Restricted Net Assets								
NET ASSETS—Beginning of year	$ 3,834	$ -	$ 38	$ -	$ -	$ -	$ -	$ 3,872
Contributions	10,142							10,142
Net assets released for operating expenses	(5,319)		(2)					(5,321)
Net assets released for capital acquisitions	(4,188)							(4,188)
Change in net assets	635	-	(2)	-	-	-	-	633
NET ASSETS—End of year	$ 4,469	$ -	$ 36	$ -	$ -	$ -	$ -	$ 4,505
Permanently Restricted Net Assets								
NET ASSETS—Beginning of year	$ 308	$ -	$ 189	$ -	$ -	$ -	$ -	$ 497
Gain on beneficial interest in perpetual trust			14					14
NET ASSETS—End of year	$ 308	$ -	$ 203	$ -	$ -	$ -	$ -	$ 511

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting.

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION—CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
Unrestricted Net Assets				
NET ASSETS—Beginning of year	$ 74,486	$ 4,221	$ -	$ 78,707
Excess of revenue over expenses	6,626	542		7,168
Defined benefit plan adjustments	42,330			42,330
Changes in net unrealized gains and losses on investments	4,464			4,464
Contributions		272		272
Net assets released for capital acquisitions	1,967	2,221		4,188
Transfers from related entities	2,710	9,736		12,446
Change in net assets	58,097	12,771	-	70,868
NET ASSETS—End of year	$132,583	$16,992	$ -	$149,575
Temporary Restricted Net Assets				
NET ASSETS—Beginning of year	$ 3,063	$ 771	$ -	$ 3,834
Contributions	7,479	2,663		10,142
Net assets released from restriction for operating expenses	(4,859)	(460)		(5,319)
Net assets released from restriction for capital acquisitions	(1,967)	(2,221)		(4,188)
Change in net assets	653	(18)	-	635
NET ASSETS—End of year	$ 3,716	$ 753	$ -	$ 4,469
Permanently Restricted Net Assets				
NET ASSETS—Beginning and end of year	$ 308	$ -	$ -	$ 308

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Appendix B-3

NYU Lutheran Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015

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NYU Lutheran

Combined Financial Statements and Supplemental Combining Information for the Period April 1, 2015 to August 31, 2015 and January 1, 2015 to March 31, 2015

NYU Lutheran
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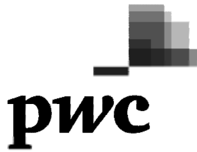

Independent Auditors' Report

Boards of Trustees of
NYU Langone Medical Center and
Sunset Park Health Council, Inc.

We have audited the accompanying combined financial statements of NYU Lutheran Medical Center (the "Medical Center") and its subsidiaries and Sunset Park Health Council, Inc., d/b/a NYU Lutheran Family Health Centers ("LFHC") (collectively, "NYU Lutheran"), which comprise the combined balance sheet as of August 31, 2015, and the related combined statements of operations, statements of changes in net assets and of cash flows for the periods from January 1, 2015 to March 31, 2015, and April 1, 2015 to August 31, 2015.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to NYU Lutheran's preparation and fair presentation of the combined 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 NYU Lutheran'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 combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of NYU Lutheran Medical Center and its subsidiaries and Sunset Park Health Council, Inc., d/b/a NYU Lutheran Family Health Centers, at August 31, 2015, and the results of their operations, changes in net assets and cash flows for the periods from January 1, 2015 to March 31, 2015 and April 1, 2015 to August 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, in 2015, the Medical Center and LFHC changed its fiscal year end from December 31 to August 31.

Other Matter

As described in Note 1, on April 1, 2015, New York University Health System ("NYUHS") became the sole corporate member of the Medical Center and its subsidiaries. As a result of this transaction, the combined financial information of NYU Lutheran in the post-acquisition period of April 1, 2015 through August 31, 2015 is not comparable with the pre-acquisition period of January 1, 2015 through March 31, 2015.

The combined financial statements of the Medical Center and its subsidiaries and LFHC as of December 31, 2014 and for the year then ended were audited by other auditors whose report, dated May 27, 2015, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining 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 combining information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

February 4, 2016

NYU Lutheran
Combined Balance Sheet
August 31, 2015

(in thousands)		Successor 2015
Assets		
Current assets		
Cash and cash equivalents	$	31,882
Investments		40,000
Assets limited as to use		1,375
Patient accounts receivable—less allowance for uncollectible accounts of $28,872		92,766
Other receivables		9,890
Due from third-party payors		6,627
Other current assets		18,567
Total current assets		201,107
Investments - less current portion		100,661
Assets limited as to use - less current portion		39,170
Property and equipment - net		333,999
Other assets		92,154
Total assets	$	767,091
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$	41,241
Accrued salaries and related liabilities		25,985
Current portion of obligations under capital leases		2,249
Current portion of long-term debt		8,655
Current portion of professional liabilities		2,600
Due to related entities		9,313
Other current liabilities		3,022
Current portion of due to third-party payors		16,437
Total current liabilities		109,502
Long-term liabilities		
Due to third-party payors - less current portion		30,493
Professional liabilities - less current portion		93,210
Obligations under capital leases - less current portion		4,047
Long-term debt - less current portion		77,836
Accrued pension liability		112,386
Other long-term liabilities		22,464
Total long-term liabilities		340,436
Total liabilities		449,938
Net assets		
Unrestricted		311,823
Temporarily restricted		5,129
Permanently restricted		201
Total net assets		317,153
Net liabilities and net assets	$	767,091

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

NYU Lutheran
Combined Statement of Operations
Period From April 1, 2015 to August 31, 2015 and From January 1, 2015 to March 31, 2015

(in thousands)	**Successor**	**Predecessor**
Revenue	**For the Period from April 1, 2015 to August 31, 2015**	**For the Period from January 1, 2015 to March 31, 2015**
Net patient service revenue (after contractual allowances and discounts)	$ 278,808	$ 157,947
Provision for bad debts	7,452	10,159
Net patient service revenue - net of provision for bad debts	271,356	147,788
Premium revenue	3,801	2,334
Grant income	19,567	8,254
Investment income	(1,488)	535
Net assets released from restrictions	750	461
Other revenue	10,922	8,266
Total revenue	304,908	167,638
Expenses		
Salaries and wages	158,693	90,310
Employee benefits	51,282	30,550
Supplies and expenses	97,667	48,928
Depreciation and amortization	7,803	5,570
Interest	1,001	1,131
Total expenses	316,446	176,489
Deficiency of revenue over expenses	(11,538)	(8,851)
Other changes in unrestricted net assets		
Defined benefit plan adjustments	13,094	(9,060)
Changes in unrealized gains and losses on investments	(2,332)	1,483
Contributions	50	6
Reclassification of permanently restricted net assets	-	308
Net assets released for capital acquisitions	226	18
Decrease in unrestricted net assets	$ (500)	$ (16,096)

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

NYU Lutheran
Combined Statement of Changes in Net Assets
Period From April 1, 2015 to August 31, 2015 and From January 1, 2015 to March 31, 2015

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Predecessor				
Net assets at December 31, 2014	$ 141,320	$ 5,251	$ 509	$ 147,080
Deficiency of revenues over expenses	(8,851)	-	-	(8,851)
Defined benefit plan adjustments	(9,060)	-	-	(9,060)
Changes in unrealized gains and losses on investments	1,483	-	-	1,483
Contributions	6	631	-	637
Reclassification of permanently restricted net assets	308	-	(308)	-
Net assets released from restrictions				
Operating expenses	-	(461)	-	(461)
Capital acquisitions	18	(18)	-	-
Change in net assets	(16,096)	152	(308)	(16,252)
Net assets at March 31, 2015	125,224	5,403	201	130,828
Successor				
Net assets at April 1, 2015	$ 312,323	$ 5,403	$ 201	$ 317,927
Deficiency of revenues over expenses	(11,538)	-	-	(11,538)
Defined benefit plan adjustments	13,094	-	-	13,094
Changes in unrealized gains and losses on investments	(2,332)	-	-	(2,332)
Contributions	50	702	-	752
Net assets released from restrictions				
Operating expenses	-	(750)	-	(750)
Capital acquisitions	226	(226)	-	-
Change in net assets	(500)	(274)	-	(774)
Net assets at August 31, 2015	$ 311,823	$ 5,129	$ 201	$ 317,153

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

NYU Lutheran
Combined Statement of Cash Flows
Period From April 1, 2015 to August 31, 2015 and From January 1, 2015 to March 31, 2015

(in thousands)	For the Period from April 1, 2015 to August 31, 2015	For the Period from January 1, 2015 to March 31, 2015
Operating activities		
Change in net assets	$ (774)	$ (16,252)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	7,803	5,570
Provision for bad debts	7,452	10,159
Defined benefit plan adjustments	(13,094)	9,060
Net unrealized and realized loss (gain) on investments, assets limited as to use and interest rate swap	5,052	(1,743)
Changes in operating assets and liabilities		
Patient accounts receivable	(10,490)	(15,328)
Due from and to third-party payors	13,537	319
Other receivables and other current assets	18,769	6,182
Accounts payable, accrued expenses, accrued salaries, and related liabilities	4,898	(17,758)
Professional liabilities	17	5,200
Accrued pension liability	834	3,784
Due to related parties	2,207	-
Other assets and liabilities	(11,522)	(8,816)
Net cash provided by (used in) operating activities	24,689	(19,623)
Investing activities		
Capital expenditures	(8,352)	(1,995)
Purchases of investments	(27,310)	(244)
Proceeds from sales of investments	25,939	6,916
Changes in assets limited as to use, net	10,629	54
Net cash provided by investing activities	906	4,731
Financing activities		
Proceeds from line-of-credit borrowing	-	10,000
Repayments of line-of-credit borrowing	(10,000)	-
Repayments of capital lease obligations	(1,268)	(632)
Repayments of long-term debt	(3,549)	(2,115)
Net cash (used in) provided by financing activities	(14,817)	7,253
Net increase (decrease) in cash and cash equivalents	10,778	(7,639)
Cash and cash equivalents		
Beginning of period	21,104	28,743
End of period	$ 31,882	$ 21,104
Supplemental information		
Interest paid	$ 1,127	$ 1,133
Capital lease obligations incurred	999	18
Accruals for the acquisition of property and equipment	7,069	248

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

(in thousands)

1. Organization and Summary of Significant Accounting Policies

NYU Lutheran Medical Center ("Medical Center") is a not-for-profit membership corporation organized under the New York State not-for-profit corporation law, which operates an acute care hospital. Prior to April 1, 2015, the Medical Center's sole corporate member was Lutheran Medical Center Health System, Inc., a New York not-for-profit corporation.

Effective April 1, 2015, the Medical Center entered into an affiliation agreement with New York University Hospitals Center ("NYU Hospitals Center") pursuant to which, the Medical Center changed its name to NYU Lutheran Medical Center and NYU Langone Health System ("NYUHS") became its sole corporate member. NYUHS is also the sole corporate member for NYU Hospitals Center. As a result, the Medical Center elected to apply push-down accounting to its assets and liabilities included in the combined financial statements for periods after April 1, 2015 (Note 2).

Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a NYU Lutheran Family Health Centers ("LFHC") is a designated Level 3 Medical Home, and is the largest Federally Qualified Health Center network in New York State that, prior to 2007, operated as a division of the Medical Center. Neither NYU Hospitals Center nor NYUHS obtained control of LFHC in the aforementioned transaction; therefore, the historical basis of LFHC has been reflected in the combined financial statements for all periods presented.

The Medical Center is a full-service, 450-bed academic teaching hospital and is a co-operator with LFHC of a network of nine neighborhood primary care sites, fifteen school health programs with twenty four dental programs, and a diverse range of community-based programs that provide approximately 600 medical and dental visits annually.

The Medical Center and its subsidiaries and LFHC are referred to herein as "NYU Lutheran." NYU Lutheran is one of New York State's most fully integrated health care systems. It includes a medical center, a multistate health center network, home care, long-term care, subsidized senior housing for the frail elderly, and community development. As such, NYU Lutheran is able to offer a fluid continuum of care from birth through senior life.

The following are subsidiaries of the Medical Center:

OHP PHSP, Inc. (Formerly Known as Health Plus Prepaid Health Services Plan, Inc.) (the "Plan")—A licensed, prepaid health services plan which provided comprehensive prepaid health care coverage to Medicaid, Family Health Plus (FHP), Child Health Plus (CHP), and Medicare recipients. On May 1, 2012, the Plan sold all operating and nonfinancial assets and was required to change the name of the organization as part of the transaction. The Plan ceased receiving premiums and providing coverage to members effective with the closing of the sale and is now winding down operations (Note 14).

Lutheran Augustana Center for Extended Care and Rehabilitation, Inc. ("Augustana") — A long term nursing care facility.

Senior Housing Projects—Comprised of Shore Hill Housing Company, Inc. ("Shore Hill"); Shore Hill Housing Associates, L.P.; Sunset Gardens Housing Development Fund Corporation ("Sunset Gardens"); and Harbor Hill Housing Development Fund Corporation ("Harbor Hill") and provide

(in thousands)

housing and rent subsidies for people meeting requirements defined by the US Department of Housing and Urban Development ("HUD").

Professional Corporations—Comprised of Shore Road Radiology, PC and LMC Physician Services, PC.

Others—Comprised of various other related organizations, including Shore Road Community Services, Inc.; Sunset Bay Community Services, Inc.; Community Care Organization, Inc.; LMC Community Foundation ("Lutheran Foundation"); and Lutheran CHHA, Inc.

Principles of Combination and Consolidation

The accompanying combined 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 financial statements are a combination of the consolidated accounts of the Medical Center and its subsidiaries with LFHC. Accordingly, amounts due (to) from the Medical Center, its subsidiaries and LFHC and the transactions between the entities have been eliminated in consolidation and combination.

Except as discussed in Note 10 to the combined financial statements, the assets of any member of the combined group may not be available to meet the obligations of other members in the group.

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.

Cash and Cash Equivalents

NYU Lutheran considers all highly liquid investments purchased with a maturity of three months or less, that are not deemed to be assets limited as to use, to be cash equivalents.

Investments

Investments include cash equivalents, mutual funds, fixed-income securities, as well as interests in limited partnerships and common collective trusts. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at estimated fair value. Investments received as a gift are initially recorded at fair value at the date of gift.

NYU Lutheran has also entered into partnership agreements with limited partnerships ("alternative investments"), the majority of which are in private markets, whereby they have agreed to certain capital commitments. The ownership interests are reported at fair value using the equity method of accounting. Certain of the partnerships may hold some securities without readily determinable fair values and, consequently, the fund managers may estimate fair value for such securities. These estimates may differ significantly from the values that would have been used had a ready market existed and may also differ significantly from the values at which such investments may be sold and the differences could be material.

(in thousands)

Investment income (interest, dividends, realized gains and losses, and the amortization of premium and accretion of discount to maturity) is included within revenue, unless the income or gain (loss) is restricted by donor or by law. Unrealized gains and losses on investments classified as available for sale are excluded from the deficiency of revenues over expenses and reported as a change in net assets, except that declines in fair value that are judged to be other than temporary are reported as realized losses. Gains and losses are determined using the specific identification cost basis. Investment income is reported net of expenses related to the management and custody of investments. Investments classified as current assets are available to support current operations.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined balance sheets and combined statements of operations, changes in net assets, and cash flows.

Other-Than-Temporary Impairment of Investments
NYU Lutheran reviews its investments to identify those for which market value is below cost. NYU Lutheran then makes a determination as to whether the investment should be considered other-than-temporarily impaired based on guidelines established by the Financial Accounting Standards Board ("FASB"). NYU Lutheran considers various factors in determining whether to recognize a decline in value, including the length of time and extent to which the fair value has been less than NYU Lutheran's cost basis, the financial condition and near-term prospects of the issuer or investee, and NYU Lutheran's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. No losses related to declines in value that were other than temporary in nature were recognized during the five months ended August 31, 2015 or the three months ended March 31, 2015.

Assets Limited as to Use
Assets limited as to use primarily include assets held to meet regulatory requirements, assets held to meet requirements under indenture agreements, donor-restricted assets, and designated assets set aside by the Board of Trustees (the "Board"), over which the Board retains control and may at its discretion subsequently use for other purposes.

Other Current Assets
Other current assets consist principally of prepaid expenses and supplies. Prepaid expenses include prepaid premiums on professional primary and excess insurance coverage of $5,303 as of August 31, 2015. The coverage period for the primary insurance and the excess insurance coverage is through September 30, 2015. Supplies are valued at the lower of cost (first-in, first-out method) or market and aggregated $7,245 as of August 31, 2015.

(in thousands)

Property and Equipment
Property and equipment acquisitions are recorded at cost, if purchased, and those acquired by gift at fair market value at the date of the gift. Capitalized lease obligations are recorded at the present value of the minimum lease payments at the inception of the lease. Leased assets are amortized over the lesser of the estimated useful life of the asset or lease term. Such amortization is reported within depreciation and amortization in the accompanying combined statements of operations. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives by classification are as follows:

Buildings and improvements	5–40 years
Equipment	3–25 years

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset’s carrying value exceeds its estimated fair value.

Other Assets
Other assets consist primarily of estimated insurance recoveries, intangible assets and tenant security deposits. Estimated insurance recoveries were $78,071 as of August 31, 2015.

In connection with the Medical Center's acquisition by NYUHS, the Medical Center and its subsidiaries recorded $13,698 of indefinite-lived intangible assets, which consisted primarily of trademarks for the Medical Center and Augustana, and the Medical Center's Certificates of Need. These intangible assets are reviewed periodically for impairment. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized. Fair values of intangible assets are determined based on discounted cash flows or appraised values, as appropriate. Determining the fair value is judgmental in nature and requires the use of estimates and assumptions. No impairment loss was recorded for the five months ended August 31, 2015.

Professional and General Liabilities
Prior to October 1, 1997, the Medical Center was self-insured for professional and general insurance liabilities. Subsequent to that date, the Medical Center has purchased claims-made insurance policies from a commercial insurer. Asserted claims and claim incidents that have been incurred but not reported are recorded taking into consideration the severity of incidents and expected timing of claim payments. The liabilities for outstanding losses and loss-related expenses, the related provision for losses, and loss-related expenses include estimates for malpractice losses incurred but not reported, as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis and any adjustments required are reflected in operations currently.

(in thousands)

LFHC is designated as a federally qualified community health center and receives funding under Section 330 of the Public Health Service Act (PHSA). As such, malpractice coverage is provided on an occurrence basis under certain legislative covenants of this section of the PHSA.

Defined Benefit Pension Plan

The Medical Center recognizes the underfunded status of its defined benefit plan as a liability in its combined balance sheets. Changes in the funded status of the plan are reported as a change in unrestricted net assets presented below the deficiency of revenues over expenses in its combined statements of operations and changes in net assets in the year in which the changes occur. The Medical Center's policy is to contribute amounts sufficient to meet the funding requirements under the Employee Retirement Income Security Act of 1974 or required under contractual arrangements.

Patient Care Receivables and Net Patient Service Revenue

NYU Lutheran has agreements with third-party payors that provide for payments at amounts different from their established charges. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per-diem or per visit payments. Under certain agreements, NYU Lutheran is reimbursed at interim rates with final settlement in subsequent periods. Patient care receivables and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the 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 or estimates are changed. Contracts, laws, and regulations governing Medicare, Medicaid, Blue Cross, and various managed care contracts are 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. Changes in estimates decreased the deficiency of revenues over expenses by $4,741 for the five months ended August 31, 2015. There were no changes in estimates for the three months ended March 31, 2015.

A portion of the accrual for estimated settlements with third-party payors has been classified as long term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid or collected within one year.

Provision for Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, NYU Lutheran analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, NYU Lutheran analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, NYU Lutheran records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

(in thousands)

NYU Lutheran's allowance for doubtful accounts totaled $28,872 at August 31, 2015. At August 31, 2015, the allowance for doubtful accounts is comprised of 25%, for self-pay patients with no insurance and 75% for the patient responsibility for insured patients. NYU Lutheran's charity care and uninsured discount policies extend further charity care discounts to qualified patients. NYU Lutheran does not maintain a material allowance for uncollectible accounts from third-party payors. NYU Lutheran recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, NYU Lutheran recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of NYU Lutheran's uninsured patients may not qualify for charity care discounts and may be unable or unwilling to pay for the services provided. Thus, NYU Lutheran records a provision for bad debts related to uninsured patients in the period the services are provided.

Net patient service revenue (after contractual allowances and discounts), recognized during the five months ended August 31, 2015 and the three months ended March 31, 2015, from NYU Lutheran's major payor sources, classified based upon the party that has the primary responsibility for paying, are as follows:

	For the Period from April 1, 2015 to August 31, 2015	For the Period from January 1, 2015 to March 31, 2015
Medicare	$ 101,694	$ 58,801
Medicaid	117,797	64,884
Other third-party payors	53,550	31,689
Self-pay	5,656	2,573
Net patient service revenue (after contractual allowances and discounts)	$ 278,697	$ 157,947

Premium Revenue

Capitation payments are based on the number of participants, regardless of services actually performed by LFHC. Such amounts are reported as premium revenue. LFHC has a contract with Amerigroup New York, LLC, a New York limited liability company d/b/a Amerigroup Community Care New York ("Amerigroup") to provide medical services to subscribing participants on a capitated basis.

Grant Revenue

Grant revenue primarily represents revenue associated with LFHC's Section 330 grants and are recognized as the related costs are incurred or milestones are achieved. The remainder of NYU Lutheran's grant revenue is comprised of other grants from federal, state and city agencies.

Other Revenue

Other operating revenue includes unrestricted contributions and other nonpatient-related revenues. Unrestricted gifts and bequests made to NYU Lutheran are recorded as revenue. Unconditional promises to give cash and other assets to NYU Lutheran are reported at fair market value at the date the promise is received. Conditional promises to give are reported at fair market value at the date the condition has been met. Gifts are reported as either temporarily or permanently restricted if they are received with a donor stipulation that limits the use of the donated assets. To the extent that NYU Lutheran receives grants for capital, they are excluded from the performance indicator.

(in thousands)

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by NYU Lutheran 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 NYU Lutheran in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Performance Indicator
For purposes of display, NYU Lutheran considers all of its health care and related activities to be part of its normal operations and considers the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net assets that are excluded from the deficiency of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments not classified as trading securities, transfers of assets to and from affiliates for other than goods and services, defined benefit plan adjustments, and contributions restricted for capital purchases and net assets released from restrictions for capital acquisitions.

Charity Care
NYU Lutheran provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because NYU Lutheran does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Tax Status
The Medical Center, LFHC and all but two of its subsidiaries are tax exempt entities pursuant to Section 501(a) of the Internal Revenue Code. Uncertain income tax positions did not have a significant impact on NYU Lutheran's combined financial statements.

New Authoritative Pronouncements
In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. NYU Lutheran is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2019.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. This standard did not have any impact on NYU Lutheran as of August 31, 2015.

(in thousands)

In May 2015, the FASB issued guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires entities to present investments that use net asset value (NAV) as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy. The standard is effective for fiscal years beginning after December 15, 2017. NYU Lutheran is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2019.

2. Basis of Presentation

The transaction between the Medical Center and NYUHS on April 1, 2015 was accounted for by NYUHS as an acquisition in accordance with ASC 805, *Business Combinations*, and more specifically, ASC 958-805-05, A*cquisition by a not-for-profit entity*. Under this guidance, the acquirer (NYUHS) would recognize identifiable assets acquired and liabilities assumed from the acquired entities (the Medical Center and its subsidiaries) generally at fair value. Since no consideration was exchanged for the acquisition, the net assets acquired would be recognized by NYUHS as an inherent contribution received.

As a result of the change in control, the Medical Center and its subsidiaries elected to adopt push-down accounting to the assets and liabilities of the Medical Center and its subsidiaries included in these combined financial statements of NYU Lutheran. Accordingly, the assets and liabilities of the Medical Center and its subsidiaries are remeasured to fair value as of April 1, 2015. The net impact is an $187,099 increase in the unrestricted net assets of the Medical Center and its subsidiaries. See the summary below:

Medical Center and subsidiaries	**March 31, 2015**	**Pushdown Accounting Adjustments**	**April 1, 2015**
Total assets	$ 583,230	$ 167,750	$ 750,980
Liabilities	459,912	(19,349)	440,563
Net assets	123,318	187,099	310,417
Total liabilities and net assets	$ 583,230	$ 167,750	$ 750,980

The table below includes a summary of the nature of the pushdown accounting adjustments recorded by the Medical Center and its subsidiaries on April 1, 2015:

Property and equipment (Note 6)	$ 154,052
Other Assets (Note 1)	13,698
Long-term debt (Note 10)	19,349
Total pushdown accounting adjustments	$ 187,099

There was no change in the control of LFHC and therefore there was no change in accounting basis of the assets and liabilities of LFHC included in the combined financial statements of NYU Lutheran before and after April 1, 2015.

As a result of the acquisition, the financial statements for the period after April 1, 2015 represents the combined financial statements of the successor Medical Center and LFHC (“Successor”) while the financial statements for the period before March 31, 2015 represents the combined financial statements of the predecessor Medical Center and LFHC (“Predecessor”). Due to the change in

the basis of accounting resulting from the application of the push-down accounting, the Predecessor's combined financial statements and the Successor's combined financial statements are not necessarily comparable.

During 2015, the Medical Center and LFHC changed its fiscal year ends from December 31 to August 31 to conform to NYU's year end.

3. Charity Care

In keeping with this mission, NYU Lutheran provides medical care to all patients, regardless of their ability to pay. Patients are notified of the availability of free and reduced price care and patients are evaluated for charity care in accordance with established policies. In addition, NYU Lutheran operates numerous community benefit programs that seek to improve the health and welfare of its community. Services provided to these patients are not reported as revenue in the combined statements of operations.

The estimated cost incurred by NYU Lutheran to provide services to patients who are unable to pay was approximately $14,728 and $7,731 for the five months ended August 31, 2015 and the three months ended March 31, 2015, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under NYU Lutheran's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. NYU Lutheran also provides a significant amount of uncompensated care to its patients that is reported as a provision for bad debts, which is not included in the amounts reported above. Such provision for bad debts amounted to approximately $7,452 and $10,159 for the five months ended August 31, 2015 and the three months ended March 31, 2015, respectively.

4. Third-Party Reimbursement Programs

Medicare
Inpatient acute care services and long-term nursing care services provided to Medicare program beneficiaries are paid based on Medicare's Prospective Payment System (PPS). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Settlements are calculated for add-ons to the PPS rates related to the indirect medical education and disproportionate share costs. Inpatient rehabilitation services are paid based on Medicare's PPS for rehabilitation facilities. These rates vary based on clinical and other factors, similar to PPS. Inpatient psychiatric services are paid based on a prospective per-diem rate. Such payments are also adjusted to reflect clinical, diagnostic, and other factors. Direct medical education costs are reimbursed based on costs per resident from a base year trended to the current year and adjusted for eligible resident counts and Medicare utilization. Most outpatient services are paid under Medicare's Outpatient PPS (OPPS) based on Ambulatory Payment Classification groups. Those outpatient services excluded from OPPS continue to be paid based on fee schedules or cost-based methodologies. Eligible bad debts and charity care write-offs related to deductibles and coinsurance of Medicare patients are also reimbursed at 70% of the amounts written off. Any cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of the annual cost reports. The Medical Center's Medicare

(in thousands)

cost reports have been audited through December 31, 2011, and final settled through December 31, 2006.

NonMedicare Payments
The New York State Legislature (NYS) enacted the Health Care Reform Act of 2000. Under this system, all nonMedicare payors, except Medicaid, workers' compensation, and no-fault insurance programs, negotiate payment rates with the individual hospital. If negotiated rates are not established, payors are billed at providers' established charges. Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the NYSDOH on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYS implemented an updated inpatient case mix system, called All Patient Refined Diagnosis Related Groups. This system is intended to more accurately measure and reimburse for patient acuity and will increase the prospective nature of the rates. Outpatient reforms were implemented effective December 1, 2008.

5. Investments and Assets Limited as to Use

Fair Value Measurements
Authoritative guidance of fair value measurements, ASC Topic 820, *Fair Value Measurements and Disclosures*, *Fair Value Measurements*, establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace. The following describes the hierarchy of methodologies used to measure fair value of investments:

Fair value for Level 1 is based on quoted prices in actively traded markets that NYU Lutheran has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. NYU Lutheran does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for instruments similar to those held by NYU Lutheran in actively traded markets, quoted prices for identical instruments held by NYU Lutheran in markets that are not actively traded and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques used to assess prices that are unobservable as the assets trade infrequently or not at all.

Asset Classes
Investments held by NYU Lutheran are categorized as follows:

NYU Lutheran invests across a broad range of asset classes, including Equity, Hedge Funds, Real Estate, Fixed Income, and Cash and other. NYU Lutheran may invest directly in the securities of these asset classes, or indirectly through interests in funds and limited partnerships. Securities held directly by NYU Lutheran are valued at their observable market prices. The value of holdings in funds and limited partnerships are in accordance with the valuations provided by their investment managers. Funds and limited partnerships may make investments in securities that are publicly traded, which are generally valued based on observable market prices. Managers of investment funds and limited partnerships value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. If no public market exists

(in thousands)

for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer and subsequent developments concerning the companies to which the investments relate. If NYU Lutheran has the ability to redeem from an alternative investment up to 90 days beyond the measurement date at NAV, the alternative investment is generally categorized as Level 2. If the redemption period extends beyond 90 days, the investment is categorized as Level 3. Funds that NYU Lutheran does not have discretion for timing of withdrawals are categorized as Level 3.

Equity
Public Equity consists of publicly-traded equity, mutual funds, and other commingled funds (which may include passive index exposure). Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, growth equity, and venture capital.

Hedge Funds
Hedge Funds include investments with managers who invest across different strategies such as long and short equity, multi-strategy, event driven and relative value funds. These managers typically employ some leverage.

Real Estate
Real Estate includes private investments in real estate.

Fixed Income
Fixed Income includes investments in securities such as US and sovereign bonds, and corporate and asset-backed securities.

Cash and Cash Equivalents
Cash includes investments in cash and cash equivalents.

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 NYU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

(in thousands)

The fair value of the Medical Center's investments and assets limited as to use at August 31, 2015, are classified as follows:

	August 31, 2015			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Investments				
Fixed income	$ 30,863	$ 36,199	$ -	$ 67,062
Public equity	37,205	-	-	37,205
Hedge funds	-	36,394	-	36,394
	$ 68,068	$ 72,593	$ -	$ 140,661
Less: Current portion				(40,000)
Total long term investments				$ 100,661
Assets limited as to use				
Cash and cash equivalents	$ 37,672	$ -	$ -	$ 37,672
Fixed income	2,873	-	-	2,873
	$ 40,545	$ -	$ -	$ 40,545
Less: Current portion				(1,375)
Total long term assets limited as to use				$ 39,170

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. At April 1, 2015, as a result of the Medical Center adopting NYU's policy for classifying only alternative investments with redemption periods greater than 90 days as Level 3, the Medical Center transferred $22,128 from Level 3 to Level 2.

The Medical Center's investments include certain limited liability partnerships and corporations and common collective trusts that report fair value using a calculated NAV or its equivalent. At August 31, 2015, the Medical Center did not have any unfunded commitments. A summary of investments with a reported NAV that have restrictions on NYU Lutheran's ability to redeem its investment at the measurement date as of August 31, 2015 is as follows:

	Fair Value at August 31, 2015	Redemption Frequency	Redemption Notice Period
Common collective trust	$ 13,636	Monthly	22 days
Limited liability partnerships and corporations	22,758	Quarterly	65 to 90 days
	$ 36,394		

(in thousands)

NYU Lutheran's assets limited as to use are limited for the following purposes:

	2015
Debt requirements	$ 19,120
Regulatory requirements	21,031
Other	394
Total assets limited as to use	40,545
Less: Current portion	(1,375)
Total assets limited as to use - less current portion	$ 39,170

6. Property and Equipment

Property and equipment at August 31, 2015 is as follows:

	2015
Land	$ 164,788
Buildings and improvements	136,539
Equipment	50,647
Construction in progress	17,999
Property and equipment - gross	369,973
Less: Accumulated depreciation and amortization	(35,974)
Property and equipment - net	$ 333,999

The net book value of equipment held under capital leases (included in property and equipment – net) as of August 31, 2015 is $5,577.

Depreciation expense was approximately $7,736 for the five months ended August 31, 2015 and $5,570 for the three months ended March 31, 2015. On April 1, 2015, upon effectuation of the affiliation and change in control, the Medical Center and its subsidiaries land, buildings and equipment were remeasured to fair value. As a result of the fair value remeasurement, recorded accumulated depreciation as of March 31, 2015 for the Medical Center and its subsidiaries as of was written down to zero.

NYU Lutheran capitalizes interest during construction periods, however, capitalized interest was not significant for neither the five months ended August 31, 2015 nor the three months ended March 31, 2015.

Substantially, all property, buildings, and equipment serve as collateral for debt obligations.

7. Professional Liabilities

For the period January 1, 1976, through September 30, 1997, the Medical Center was self-insured for professional and other general liability claims. Effective October 1, 1997, the Medical Center purchased primary and excess professional liability coverage on a claims-made basis and general liability coverage on an occurrence basis from a commercial insurer. All other NYU Lutheran entities have professional liability insurance under occurrence basis policies.

(in thousands)

The professional liabilities are estimated based on the Medical Center's actual claim experience, asserted claims and incidents that have been incurred but not yet reported, estimates of settlement amounts, administrative and other expenses, and similar items. At August 31, 2015, the Medical Center's estimated liability for reported claims and claims incurred but not reported totaled $95,810. This liability is reported on a discounted basis, using a discount rate of 3.0%. Estimated insurance recoveries were $78,071 as of August 31, 2015, and are included in other assets in the combined balance sheets.

Various claimants have asserted malpractice and general liability claims against NYU Lutheran. The claims are in various stages of processing and some have been or may ultimately be brought to trial. Furthermore, there are known incidents that have occurred through August 31, 2015, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. It is the opinion of NYU Lutheran management that the ultimate resolution of the claims will not have a material adverse effect on NYU Lutheran's financial position or results of operations.

8. Retirement Benefits

Defined Benefit Pension Plan

The Medical Center has a noncontributory-defined benefit pension plan covering those employees of the Medical Center and certain affiliated entities not covered under multiemployer union pension plans. The benefits are based on years of service. This plan was partially frozen in 2003 with one class of employees covered under a union agreement remaining active. All other eligible employees were transferred to a defined contribution plan. The Medical Center previously used a December 31 measurement date, however, the benefit plan obligation was remeasured at April 1 as a result of its acquisition by NYUHS. It was also remeasured at August 31, which is the Medical Center's new fiscal year end.

Obligations and Funded Status

The defined benefit plan's funded status and amounts recognized in the accompanying combined financial statements as of August 31, 2015, are as follows:

	For the Period from April 1, 2015 to August 31, 2015	For the Period from January 1, 2015 to March 31, 2015
Change in benefit obligation		
Benefit obligation at beginning of period	$ 325,135	$ 310,387
Service cost	3,609	2,061
Interest cost	5,336	3,193
Actuarial (gain) loss	(27,746)	11,832
Benefits paid	(4,694)	(2,338)
Benefit obligation at end of period	301,640	325,135
Change in plan assets		
Fair value of plan assets at beginning of period	200,490	198,585
Actual return on plan assets	(8,542)	3,743
Employer contributions	2,000	500
Benefits paid	(4,694)	(2,338)
Fair value of plan assets at end of period	189,254	200,490
Funded status at end of period	$ 112,386	$ 124,645

(in thousands)

Included in unrestricted net assets as of August 31, 2015, are unrecognized actuarial losses of $13,094 that have not been recognized in net periodic pension cost. There is no unrecognized actuarial losses that are expected to be recognized in net periodic pension cost during fiscal year 2016.

		For the Period from April 1, 2015 to August 31, 2015		**For the Period from January 1, 2015 to March 31, 2015**
Components of net periodic benefit cost				
Service cost	$	3,609	$	2,061
Interest cost		5,336		3,193
Expected return of plan assets		(6,113)		(3,824)
Recognized actuarial loss		-		2,853
Total net periodic benefit cost	$	2,832	$	4,283
Other changes recognized in unrestricted net assets				
Actuarial net gain (loss) arising during period	$	13,094	$	(11,914)
Amortization of actuarial gain		-		2,854
Total recognized in other changes in unrestricted net assets	$	13,094	$	(9,060)

There was no accumulated benefit obligation for the pension plan as of August 31, 2015.

Assumptions
The following assumptions were used to determine benefit obligations as of August 31, 2015:

	2015
Discount rate	4.62%
Salary increase rate	2.00%

For the five months ended August 31, 2015 and the three months ended March 31, 2015, the following assumptions were used to determine net periodic benefit cost:

	For the Period from April 1, 2015 to August 31, 2015	**For the Period from January 1, 2015 to March 31, 2015**
Discount rate	4.02%	4.20%
Expected long-term return on assets	7.50%	7.40%
Rate of compensation increase	2.00%	2.00%

At August 31, 2015, the mortality assumption was determined using the RP-2014 mortality tables with an adjusted fully generational mortality improvement scale, RP-2014 for Blue Collar workers.

Plan Assets
The Health Services Retirement Plan (HSRP) administers the assets of NYU Lutheran's pension plan. The assets of all of the plans administered by HSRP are maintained in one trust account and

(in thousands)

allocated to the participating plans. The table below presents NYU Lutheran's pro rata share of each investment category.

	August 31, 2015			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Cash and cash equivalents	$ 68,212	$ -	$ -	$ 68,212
Fixed income	-	26,561	-	26,561
Public equity	35,034	-	-	35,034
Private equity	-	-	11,665	11,665
Hedge funds	-	6,878	40,904	47,782
Real estate	-	-	-	-
	$ 103,246	$ 33,439	$ 52,569	$ 189,254

The following table presents the changes in fair value measurements using significant unobservable inputs (Level 3) for NYU Lutheran's share of plan assets held for the five months ended August 31, 2015 and the three months ended March 31, 2015:

	Hedge Funds	Comingled Equity Funds	Private Equity Funds	Total
Balances at January 1, 2015	$ 50,103	$ 5,670	$ 9,164	$ 64,937
Purchases and sales	(280)	18	496	234
Realized gains and losses	(11)	(17)	(61)	(89)
Unrealized gains and losses	3,501	136	193	3,830
Balances at March 31, 2015	53,313	5,807	9,792	68,912
Purchases and sales	(10,754)	(5,369)	516	(15,607)
Realized gains and losses	(772)	(1,057)	663	(1,166)
Unrealized gains and losses	(883)	619	694	430
Balances at August 31, 2015	$ 40,904	$ -	$ 11,665	$ 52,569

The Medical Center's share of pension plan assets include certain limited liability partnerships and corporations and common collective trusts that report fair value using a calculated NAV or its equivalent.

The plan invests in certain funds or asset pools that are managed by investment managers for which no quoted market price is available (Note 5). The Board of HSRP assumes the responsibility for establishing the investment policy that is to guide the investment of pension assets. The investment policy describes the degree of investment risk that the Board deems appropriate.

(in thousands)

The fund assets at August 31, 2015, are generally to be allocated according to the following target allocation rates:

	2015
US equities	27 %
Global equities	14
Hedge funds	39
Fixed Income	20
	100 %

Ordinary cash flows will be used to maintain the allocation as close as practical to the target allocation. If cash flows are insufficient to maintain the target allocation within the permissible ranges as of any calendar quarter-end, the HSRP staff will transfer balances between the asset classes to bring the allocation back to the target.

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. NYU Lutheran management believes 7.5% is reasonable long term rates of return on plan assets for the 2015, and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

Contributions
NYU Lutheran expects to contribute $4,000 to the Plan in the upcoming year ending August 31, 2016.

Benefit Payments
Future benefit payments by the defined benefit plan, reflective of expected future service, as of August 31, 2015, are expected to be paid as follows:

Years Ending December 31	
2016	$ 12,029
2017	12,879
2018	13,898
2019	14,960
2020	16,229
2021–2025	95,059
	$ 165,054

Defined Contribution Plan
During 2001, the Medical Center established a 401(k) plan (the "401(k) Plan"), which covers NYU Lutheran's employees for full-time nonunion and part-time nonunion employees (scheduled to work at least 50% of the full-time standard) not covered under the defined benefit plan. Contributions of 3% of employees' eligible compensation, subject to certain Internal Revenue Code limitations, are made as a basic employer contribution for all qualifying nonunion and certain union employees. A supplemental discretionary contribution that ranges from 3% to 5% was suspended in 2011; however, NYU Lutheran retained the right to make periodic discretionary contributions to the 401(k) Plan. Contributions under the 401(k) Plan approximated $4,877 for the five months ended August 31, 2015 and $1,125 for the three months ended March 31, 2015.

(in thousands)

Multi-employer Plans

NYU Lutheran 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 NYU Lutheran 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. NYU Lutheran has contributed cash and recorded expenses for the 1199 SEIU Health Care Employees Pension Fund ("1199 Pension Fund") of $4,553 and $2,722 for the five months ended August 31, 2015 and the three months ended March 31, 2015, respectively. These contributions represent less than 5% of total contributions to the 1199 Pension Fund, based on the most recent Form 5500 available. NYU Lutheran does not have a minimum funding requirement for the 1199 Pension Fund.

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 [(a)] 2015	FIP/RP [(b)] Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	N/A	No	September 30, 2018

(a) 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.

(b) Funding improvement plan or rehabilitation plan.

9. Other Borrowings

The Medical Center has a $10,000 line-of-credit agreement with a bank. At the Medical Center's discretion, the line of credit will either have a floating rate based on the prime interest rate or a fixed interest rate at LIBOR, plus 1.25%, for a 30- or 60-day period and then reset at the end of the period. The line of credit expired in September 2015. It is secured by a second position on certain assets of the Medical Center and LFHC. The line of credit contains certain covenants, among others, which require compliance with certain financial ratios as well as limits on additional indebtedness. As of August 31, 2015, the Medical Center had no outstanding borrowings under the line of credit.

Senior Housing HUD Loans

Sunset Gardens and Harbor Hill are not-for-profit corporations organized pursuant to Article XI of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law to acquire an interest in real property located in Brooklyn, New York, and to construct and operate thereon an apartment complexes under Section 202 of the National Housing Act.

(in thousands)

The Sunset Gardens and Harbor Hill projects were funded with fully insured HUD mortgages ("capital advances") totaling $12,972 and $7,627, respectively. These capital advances bear no interest and need not be repaid so long as the housing remains available to elderly or disabled persons for at least forty years. On April 1, 2015, upon effectuation of the affiliation agreement and change in control, the liability for the capital advances was remeasured and adjusted to fair value. Management believes that the likelihood that Sunset Gardens and Harbor Hill will fail to meet its requirements under the HUD mortgage is remote and, accordingly, the liability for the capital advances was written down to a fair value of zero and a pushdown accounting adjustment of approximately $20,000 was recorded as of April 1, 2015. Failure to keep the housing available for the elderly or disabled would result in HUD billing the project owner the entire capital advance outstanding, plus interest since the date of the first advance.

10. Long-Term Debt

Long-term debt as of August 31, 2015, is as follows:

		2015
Medical Center mortgage loan [a]	$	28,490
Augustana mortgage loans [b]		22,297
Shore Hill Housing loan [c]		18,264
Other indebtedness		17,440
Total long-term debt		86,491
Less: Current portion		(8,655)
Total long-term debt - less current portion	$	77,836

[a] During 2003, the Medical Center entered into a mortgage agreement to refinance certain existing mortgage obligations and to provide additional funds to perform major renovation work at the Medical Center. The Dormitory Authority of the State of New York (DASNY) provided $85,300, which was made available from portions of the proceeds of DASNY's sale of Series 2003 revenue bonds. The loan is payable in monthly payments of principal and interest at a fixed rate of 4.15% through 2028. The mortgage is collateralized by a substantial portion of the Medical Center's and LFHC's property, buildings and equipment, and unrestricted assets and revenue and is insured by the HUD under Section 242 of the National Housing Act. The mortgage has certain covenants which, among others, require compliance with specified financial ratios for which noncompliance may limit additional indebtedness. In 2012 the Medical Center closed on a refinancing that modified the mortgage for a reduced interest rate to 2.28%. The refinancing was funded by the proceeds from Ginnie Mae taxable securities (the Series 2012 revenue bonds), which were used to legally defease the Series 2003 revenue bonds. As required, the Medical Center has deposited funds in assets whose use is limited to satisfy the ending balance requirement of $12,156 as of August 31, 2015. As of August 31, 2015, the Medical Center was in compliance with its required covenants. In December 2015, the Medical Center legally defeased the Series 2012 bonds (Note 16).

[b] Augustana received financing from DASNY. The original mortgage note was $17,928. On April 29, 1998, additional financing through a supplemental mortgage note was approved by DASNY for additional project costs in the amount of $2,701. Under the terms of Augustana's

(in thousands)

refinancing agreement with DASNY in December 2000, principal payments are to be made through March 2035 at an interest rate of 6.65%. The mortgage is insured by HUD under Section 232 of the National Housing Act. Effective March 2012, due to mortgage refinancing, DASNY assigned its rights to Century Health Capital, Inc. at the loan balance amount of $17,566 and at an interest rate of 3.73%, maturing on April 1, 2035.

In August 2001, Augustana received additional financing for facility expansion. The principal amount was $7,775 at an initial interest rate of 8% through October 1, 2002, and 6.75% thereafter. The balance of the mortgage of $6,882 was refinanced in July 2012 at an interest rate of 3.73% with rights assigned to Century Health Capital, Inc. The loan matures on October 1, 2042.

(c) During 2008, Shore Hill Housing Associates, L.P. obtained financing in the form of a variable-rate $39,000 note from the New York State Housing Finance Agency through the issuance of tax-exempt Shore Hill Housing Revenue Bonds, 2008 Series A. Interest-only payments were due monthly until May 2010. The average interest rate on this debt was approximately 4% during 2010 and 5% during 2009. In May 2010, the $39,000 note was repaid with $19,500 proceeds of limited partner funding (Note 15) and $19,500 permanent mortgage financing with Wells Fargo Bank. The note is collateralized by a mortgage on the related property.

Concurrently with the execution of the note, the partnership entered into an interest rate swap agreement with JPMorgan Chase Bank. The swap has a notional amount of $18,286 at August 31, 2015. The interest rate swap was entered into to manage interest rate risk associated with the related variable rate debt. The swap agreement fixes the interest rate at 3.451% through September 1, 2023. At August 31, 2015, the fair value of the swap liability totaled $2,667. This amount is reported with other long-term liabilities in the accompanying combined balance sheets. The change in the fair value of the swap was an increase of $150 for the five months ended August 31, 2015 and a decrease of $275 for the three months ended March 31, 2015. Because the swap has not been designated as a hedge for accounting purposes, these amounts are reported with supplies and expenses. Net settlements on the interest rate swap are included as a component of interest expense in the accompanying combined statements of operations.

NYU Lutheran and the counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination. The agreement may be terminated following the occurrence of certain events, at which time NYU Lutheran may be required to make a termination payment.

Fair Value of Long-Term Debt
The fair value of NYU Lutheran's long-term debt at August 31, 2015 approximates carrying value, and is classified as Level 3.

The fair values of interest rate swap instrument were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap based on the current forward rates implied by the yield curve. These net payments are then discounted using a zero coupon discount rate derived from the London InterBank Offered Rate (LIBOR) swap curve. Management considers these inputs to be Level 2.

(in thousands)

Other Indebtedness

On December 15, 2011, the Medical Center entered into an $18,300 nonrevolving credit facility with TD Bank. The facility is structured into a three-year advance draw period after which it converts to a five-year term loan. The annual interest rate is reset monthly and is based on the higher of the (1) LIBOR index, plus 2%, or (2) 2.20%. During the advance period, only interest was paid monthly. During 2014, the facility converted to the five-year term loan, the monthly payment of principal of $153 and interest are based on an amortization of the principal over a 10-year period that will result in a balloon payment of $9,150 in December 2019, the end of the loan term. At August 31, 2015, the interest rate in effect was 2.20% and the outstanding balance was $17,080.

Maturities of Long-Term Debt

Scheduled repayments of long-term debt as of August 31, 2015, for each of the next five years and thereafter are as follows.

Years Ending August 31	
2016	$ 8,655
2017	4,972
2018	4,422
2019	4,504
2020	12,556
Thereafter	51,382
	$ 86,491

Leases

As of August 31, 2015, future minimum payments under capital leases and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following:

Years Ending August 31	Capital Leases	Operating Leases
2016	$ 2,467	$ 3,583
2017	1,974	3,243
2018	1,294	2,680
2019	740	2,477
2020	258	1,867
Thereafter	-	8,463
Total minimum lease payments	6,733	$ 22,313
Less: Amount representing interest (various rates)	(437)	
	$ 6,296	

Total rental expense charged to operations was $1,635 for the five months ended August 31, 2015, and $1,532 for the three months ended March 31, 2015.

(in thousands)

11. Functional Expenses

Functional expenses related to providing such services for the five months ended August 31, 2015 and the three months ended March 31, 2015, are as follows:

	For the Period from April 1, 2015 to August 31, 2015	For the Period from January 1, 2015 to March 31, 2015
Health care related services	$ 270,178	$ 151,963
General and administrative	46,268	24,526
	$ 316,446	$ 176,489

12. Concentrations of Credit Risk

NYU Lutheran grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. Significant concentrations of accounts receivable for services to Medicare and Medicaid patients (including Medicare and Medicaid managed care) as of August 31, 2015, accounted for approximately 69%.

13. The Affiliation and Support Services Agreements

The following summarizes the terms of the Affiliation and Support Services Agreements between the Medical Center and LFHC (collectively, the “parties”):

LFHC Authority
LFHC has all the authority, with respect to the LFHC required to qualify as a federally qualified health center and to receive Section 330 grants and has autonomy over all decisions related to operation, budget, and scope of services of the LFHC.

Provision of Clinical Services
LFHC is responsible for ensuring that the clinical services of the health centers are available and accessible promptly, as appropriate, and in a manner which ensures continuity of service to the residents of each health centers’ area. In providing clinical services, the parties agreed to utilize the licensed physicians and other health care professionals employed and/or otherwise engaged by LFHC. Such physicians are also generally members of the medical and dental staffs of the Medical Center.

Steering Committee
A Steering Committee was created which is responsible for overseeing and facilitating the clinical and administrative arrangements between the parties. The Steering Committee serves as an advisory committee to the LFHC Board of Directors, but is not authorized to expend resources or otherwise enter into binding commitments on behalf of either party.

Property and Equipment
As of the Effective Date, legal title to the property and equipment associated with the LFHC remained with the Medical Center. LFHC obtained exclusive use of the property and equipment for the term of the Affiliation Agreement in connection with its co-operation of the LFHC. Accordingly, the carrying value of the property and equipment was transferred to LFHC, along with the

responsibility for all related operating and capital costs. The net book value of the assets transferred was approximately $10,036 as of the Effective Date. In addition, during 2010, LFHC acquired equipment and building improvements with a cost of approximately $3,132. Such assets are covered by the terms of the Affiliation Agreement and, accordingly, LFHC has accounted for these assets by recording the cost and related depreciation expense in its financial statements. The property and equipment associated with the LFHC remained subject to HUD mortgage covenants (Note 10). The Medical Center agreed to transfer full title for three health center facilities to LFHC upon the expiration of the HUD covenants (Note 16).

Employees
Certain physicians and senior management personnel were transferred to LFHC's employees during 2007, and the remainder of the nonunionized management personnel were transferred to LFHC's employees in 2008. After the Effective Date, LFHC began to directly employ or engage any additional clinical and nonunion staff who provide health services to LFHC's patients. Certain Medical Center employees, including those covered by collective bargaining agreements executed by and binding on the Medical Center, provide services to the LFHC. Such employees remain employees of the Medical Center, but are contracted to LFHC.

Services and Flow of Funds
LFHC maintains a bank account into which all Section 330 grant funds (and other grants for which LFHC is the direct recipient) are directly deposited. The Medical Center bills patients and third parties, including Medicare and New York State Medicaid, for the LFHC services generally in accordance with LFHC's schedule of charges and discounts. The Medical Center has agreed to collect such billings in accordance with LFHC's collection policies. Such collections are initially deposited into the accounts of the Medical Center; however, separate accountability is maintained. The parties agreed to allocate certain amounts initially received or paid by the Medical Center. Amounts allocated include: (i) the New York State general hospital indigent care pool (or successor pool) distributions attributable to the provision of uncompensated care services at the health centers' sites, (ii) costs associated with physician supervision and training of residents in Medical Center-sponsored residency programs in connection with their clinical rotations to LFHC sites, (iii) Medicare Graduate Medical Education (GME) reimbursement associated with dental and other residents whose principal site of training consist of one or more LFHC sites, and (iv) costs related to the occupational health program operated through the LFHC. The amounts to be transferred are determined prospectively based on mutually agreed upon annual budgets. The revenue allocated from the Medical Center to LFHC amounted to $20,388 for the five months ended August 31, 2015, and $12,304 for the three months ended March 31, 2015.

The Medical Center provides certain administrative support services including accounting, human resources support, and information technology/systems management support, professional affairs, quality assurance, laboratory and other services for which it receives an annual fee. The Medical Center also pays certain nonpayroll and payroll amounts on behalf of LFHC and certain other amounts are paid by the Medical Center and allocated to LFHC based upon predetermined annual budgets. On a monthly basis, the excess (or deficiency) of cash collected plus or minus allocated net revenue or expenses over expenses paid by the Medical Center on LFHC's behalf and the Medical Center's service fee for providing support services is reported as due to affiliates in the accompanying balance sheet. Such amount is due on demand. The amounts charged to LFHC by the Medical Center for these services amount to $5,057 for the five months ended August 31, 2015, and $3,035 for the three months ended March 31, 2015.

(in thousands)

14. Commitments and Contingencies

Sale of Operating and Nonfinancial Assets of OHP PHSP, Inc.
On October 24, 2011, the OHP PHSP, Inc. (the "Plan") entered into an asset purchase agreement (APA) with Amerigroup. The transaction received all the required regulatory and legal approvals and closed on May 1, 2012. The Plan realized approximately $69,000 in 2012 related to this transaction.

Amerigroup did not purchase the Plan's cash and cash equivalents, investments, premiums and other receivables, assets limited as to use as of the closing date, or any other financial assets. Further, Amerigroup is not responsible for liabilities that existed up to and including the closing date (including medical claim liabilities). As of May 1, 2012, Amerigroup assumed the obligations and liabilities under the assumed provider and payor contracts and other assumed contracts and for all activities occurring after the closing date and related solely to dates of service after April 30, 2012.

The Plan and the Medical Center have agreed that the Plan will remain in existence for a period of at least 36 months following the closing date and will maintain cash and investments in an amount necessary to satisfy its liabilities. As of May 1, 2012, Amerigroup and the Plan entered into a management services agreement under which Amerigroup will provide various services, including the collection of amounts due to the Plan and the payment of Plan liabilities.

Since the sale of the Plan in 2012, the Plan has made distributions to the Medical Center totaling $155,000 (prior to December 31, 2014). The Plan made did not make distributions to the Medical Center during either the five months ended August 31, 2015, or the three months ended March 31, 2015.

In October 2015, the NYSDOH and the New York State Department of Financial Services approved the release the total balance (approximately $16,500) of funds held in escrow, under NYSDOH Regulation 98. This approval authorized OHP to distribute $15,000 from the released funds to the Medical Center. The distribution was completed in November 2015.

Litigation and Regulatory Investigations
Laws and regulations governing health care programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs. NYU Lutheran is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on NYU Lutheran's financial position, results of operations, or cash flows.

Collective Bargaining Agreement
The organization is subject to collective bargaining agreements with respect to its RN and LPN nursing staff and certain other administrative and clinical positions. The current agreement for RNs runs through February 28, 2016, and covers approximately 700 staff. The agreement for substantially all other union staff runs through September 30, 2018, and covers approximately 2,000 staff.

(in thousands)

15. Shore Hill Housing Company Restructuring

During 2008, Shore Hill restructured the ownership and financing of its apartment building for low-income senior citizens to enable the rehabilitation and improvement of the facility (the "restructuring"). In order to achieve the restructuring, a partnership (Shore Hill Housing Associates, L.P. (the "Partnership")) was formed.

Shore Hill Housing Associates GP, Inc. ("General Partner"), which is owned 79% by Shore Hill and 21% by the Lutheran Foundation, is the general partner and owns 0.01% of the Partnership. The partnership agreement provides that the General Partner has complete and exclusive control over the management of the Partnership. The Limited Partners are not liable for any debts, liabilities, losses, contracts, or other obligations of the Partnership. The Limited Partners are only liable to make capital contributions in the amounts and on the dates as specified in the Partnership agreement. The Medical Center and certain of its affiliates are responsible for all such obligations and losses. The Partnership term is through December 31, 2058, unless terminated earlier. Based on the nature of NYU Lutheran's control and economic interest in the Partnership, the Partnership has been included in NYU Lutheran's combined financial statements.

The General Partner may not sell, exchange, lease (outside of the normal course of business to qualified tenants), or otherwise dispose of the property without the consent of the limited partners. The General Partner also may not use Partnership assets, property, or improvements to secure the debt of any partners, their affiliates, or any third party.

Capital Contributions

The General Partner is required to make capital contributions of $1,000. The Limited Partner has agreed to make a capital contributions totaling $22,442, subject to possible adjustments based on the amount of low-income housing tax credits ultimately allocated to the Partnership, in addition to other potential occurrences. Payments are due upon reaching certain milestones during the life of the project. All Limited Partner capital contributions have been received as of August 31, 2015, and totaled $22,658. Such contributions are subject to recapture if the organization does not comply with the regulatory agreement or certain tax requirements for a period of twenty years. Management intends to comply with all requirements necessary to sustain the tax credits and believes that the likelihood of this not happening is remote.

The capital contributions are being accounted for as prepaid rent and are being deferred and will be recognized as revenue on a straight-line basis over a period of twenty years, which commenced with completion of the project in 2010. During 2015, approximately $471 and $283 for the five months ended August 31, 2015 and the three months ended March 31, 2015, respectively, was recognized as revenue. At August 31, 2015, approximately $16,241 of deferred revenue is reported in other long-term liabilities in the accompanying combined balance sheets.

Sale of Beneficial Rights to the Property

Pursuant to the restructuring, Shore Hill sold the beneficial rights to its property to the Partnership. Because the Partnership is included in the combined financial statements, the gain on the sale has been eliminated in preparing the combined financial statements and the property is stated at its historical cost basis. Shore Hill retained legal title to the property and a right of first refusal to repurchase the beneficial rights in certain circumstances, subject to the existing debt on the property, at a price expected to equal to one dollar, plus applicable taxes.

(in thousands)

16. Subsequent Events

NYU Lutheran has evaluated subsequent events through February 4, 2016, which is the date the combined financial statements were issued.

In December 2015, the Medical Center borrowed $30,000 from NYU Hospitals Center, and used the borrowings to refund the Series 2012 revenue bonds. As a result of this legal defeasance, the Medical Center was released from all mortgage obligations by HUD.

In December 2015, NYU Hospitals Center and the Medical Center received a Certificate of Need approval from the New York State Department of Health for a full asset merger, with NYU Hospitals Center as the successor entity. The merger became effective on January 1, 2016.

Supplemental Combining Information

NYU Lutheran
Combining Balance Sheet
August 31, 2015

Successor *(in thousands)*	**Lutheran Medical and Lutheran Family Health Centers**	**OHP PHSP, Inc.**	**Augustana**	**Senior Housing Projects**	**Professional Corporations**	**Other Entities**	**Elimination Entries**	**Combined Balances**
Assets								
Current assets								
Cash and cash equivalents	$ 21,160	$ 3,200	$ 3,346	$ 2,025	$ 204	$ 1,947	$ -	$ 31,882
Investments	40,000	-	-	-	-	-	-	40,000
Assets limited as to use	-	-	193	1,182	-	-	-	1,375
Patient accounts receivable - net	78,995	-	7,984	-	2,657	3,130	-	92,766
Other receivables	9,669	-	-	118	22	81	-	9,890
Due from third-party payors	5,812	-	808	-	7	-	-	6,627
Due from related entities	9,820	-	-	-	-	41	(9,861)	-
Other current assets	16,346	20	1,403	238	483	77	-	18,567
Total current assets	181,802	3,220	13,734	3,563	3,373	5,276	(9,861)	201,107
Investments - less current portion	100,661	-	-	-	-	-	-	100,661
Assets limited as to use - less current portion	12,685	16,508	6,636	3,341	-	-	-	39,170
Property and equipment - net	178,336	-	42,901	96,818	344	15,600	-	333,999
Other assets	90,802	-	1,143	-	-	209	-	92,154
Total assets	$ 564,286	$ 19,728	$ 64,414	$ 103,722	$ 3,717	$ 21,085	$ (9,861)	$ 767,091
Liabilities and Net Assets								
Current liabilities								
Accounts payable and accrued expenses	$ 36,438	$ 290	$ 2,528	$ 365	$ 884	$ 736	$ -	$ 41,241
Accrued salaries and related liabilities	20,993		1,992	158	2,433	409	-	25,985
Current portion of obligations under capital leases	2,249	-	-	-	-	-	-	2,249
Current portion of long-term debt	7,674	-	705	276	-	-	-	8,655
Current portion of professional liabilities	2,600	-	-	-	-	-	-	2,600
Due to related entities	9,314	456	3,412	152	2,200	3,640	(9,861)	9,313
Other current liabilities	-	-	193	2,829	-	-	-	3,022
Current portion of due to third-party payors	12,665	3,280	491	-	-	1	-	16,437
Total current liabilities	91,933	4,026	9,321	3,780	5,517	4,786	(9,861)	109,502
Due to third-party payors - less current portion	30,493	-	-	-	-	-	-	30,493
Professional liabilities - less current portion	93,210	-	-	-	-	-	-	93,210
Obligations under capital leases - less current portion	4,047	-	-	-	-	-	-	4,047
Long-term debt - less current portion	38,256	-	21,592	17,988	-	-	-	77,836
Accrued pension liability	112,386	-	-	-	-	-	-	112,386
Other long-term liabilities	6,214	-	-	16,250	-	-	-	22,464
Total liabilities	376,539	4,026	30,913	38,018	5,517	4,786	(9,861)	449,938
Net assets								
Unrestricted	182,618	15,702	33,300	65,704	(1,800)	16,299	-	311,823
Temporarily restricted	5,129	-	-	-	-	-	-	5,129
Permanently restricted	-	-	201	-	-	-	-	201
Total net assets (deficit)	187,747	15,702	33,501	65,704	(1,800)	16,299	-	317,153
Net liabilities and net assets	$ 564,286	$ 19,728	$ 64,414	$ 103,722	$ 3,717	$ 21,085	$ (9,861)	$ 767,091

NYU Lutheran
NYU Lutheran Medical Center and NYU Lutheran Family Health Centers
Combining Balance Sheet
August 31, 2015

Successor

(in thousands)	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
Assets				
Current assets				
Cash and cash equivalents	$ 16,507	$ 4,653	$ -	$ 21,160
Investments	40,000	-	-	40,000
Patient accounts receivable - net	69,660	9,335	-	78,995
Other receivables	1,860	7,809	-	9,669
Due from third-party payors	5,812	-	-	5,812
Due from related entity	10,207	754	(1,141)	9,820
Other current assets	16,050	296	-	16,346
Total current assets	160,096	22,847	(1,141)	181,802
Investments - less current portion	100,661	-	-	100,661
Assets limited as to use - less current portion	12,685	-	-	12,685
Property and equipment - net	162,186	16,150	-	178,336
Other assets	90,567	235	-	90,802
Total assets	$ 526,195	$ 39,232	$ (1,141)	$ 564,286
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$ 32,821	$ 3,617	$ -	$ 36,438
Accrued salaries and related liabilities	14,712	6,281	-	20,993
Current portion of obligations under capital leases	2,249	-	-	2,249
Current portion of long-term debt	7,674	-	-	7,674
Current portion of professional liabilities	2,600	-	-	2,600
Due to related entity	9,314	1,141	(1,141)	9,314
Current portion of due to third-party payors	6,354	6,311	-	12,665
Total current liabilities	75,724	17,350	(1,141)	91,933
Due to third-party payors - less current portion	16,519	13,974	-	30,493
Professional liabilities - less current portion	93,210	-	-	93,210
Obligations under capital leases - less current portion	4,047	-	-	4,047
Long-term debt - less current portion	38,256	-	-	38,256
Accrued pension liability	112,386	-	-	112,386
Other long-term liabilities	5,550	664	-	6,214
Total liabilities	345,692	31,988	(1,141)	376,539
Net assets				
Unrestricted	176,263	6,355	-	182,618
Temporarily restricted	4,240	889	-	5,129
Permanently restricted	-	-	-	-
Total net assets	180,503	7,244	-	187,747
Net liabilities and net assets	$ 526,195	$ 39,232	$ (1,141)	$ 564,286

NYU Lutheran
Combining Statement of Operations
Period From April 1, 2015 to August 31, 2015

<u>**Successor**</u> *(in thousands)*	**Lutheran Medical and Lutheran Family Health Centers**	**OHP PHSP, Inc.**	**Augustana**	**Senior Housing Projects**	**Professional Corporations**	**Other Entities**	**Elimination Entries**	**Combined Totals**
Revenue								
Net patient service revenue (after contractual allowances and discounts)	$ 251,900	$ -	$ 13,787	$ -	$ 16,067	$ 3,590	$ (6,536)	$ 278,808
Provision for bad debts	7,182	-	210	-	-	60	-	7,452
Net patient service revenue - net of provision for bad debts	244,718	-	13,577	-	16,067	3,530	(6,536)	271,356
Premium revenue	3,801	-	-	-	-	-	-	3,801
Grant income	19,518	-	-	49	-	-	-	19,567
Investment income	(1,507)	6	6	6	-	1	-	(1,488)
Net assets released from restrictions	750	-	-	-	-	-	-	750
Other revenue	5,981	-	(10)	4,322	527	1,516	(1,414)	10,922
Total revenue	273,261	6	13,573	4,377	16,594	5,047	(7,950)	304,908
Expenses								
Salaries and wages	129,179	-	7,038	703	18,559	3,265	(51)	158,693
Employee benefits	44,168	-	2,675	330	3,108	1,006	(5)	51,282
Supplies and expenses	90,974	1,820	2,928	2,798	5,415	1,626	(7,894)	97,667
Depreciation and amortization	6,216	-	786	700	66	35	-	7,803
Interest	540	-	349	112	-	-	-	1,001
Total expenses	271,077	1,820	13,776	4,643	27,148	5,932	(7,950)	316,446
Excess (deficiency) of revenue over expenses	2,184	(1,814)	(203)	(266)	(10,554)	(885)	-	(11,538)
Other changes in unrestricted net assets								
Defined benefit plan adjustments	13,094	-	-	-	-	-	-	13,094
Changes in unrealized gains and losses on investments	(2,299)	(33)	-	-	-	-	-	(2,332)
Contributions	50	-	-	-	-	-	-	50
Transfers (to) from related entities	(17,139)	-	-	-	17,139	-	-	-
Net assets released from restrictions for capital acquisitions	226	-	-	-	-	-	-	226
(Decrease) increase in unrestricted net assets	$ (3,884)	$ (1,847)	$ (203)	$ (266)	$ 6,585	$ (885)	$ -	$ (500)

NYU Lutheran
NYU Lutheran Medical Center and NYU Lutheran Family Health Centers
Combining Statement of Operations
Period From April 1, 2015 to August 31, 2015

Successor

(in thousands)	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
Revenue				
Net patient service revenue (after contractual allowances and discounts)	$ 195,398	$ 56,867	$ (365)	$ 251,900
Provision for bad debts	4,336	2,846	-	7,182
Net patient service revenue - net of provision for bad debts	191,062	54,021	(365)	244,718
Premium revenue	-	3,801	-	3,801
Grant income	6,246	13,272	-	19,518
Investment income	(1,510)	3	-	(1,507)
Net assets released from restrictions	630	120	-	750
Other revenue	9,765	1,787	(5,571)	5,981
Total revenue	206,193	73,004	(5,936)	273,261
Expenses				
Salaries and wages	86,724	42,455	-	129,179
Employee benefits	31,350	12,818	-	44,168
Supplies and expenses	79,637	17,273	(5,936)	90,974
Depreciation and amortization	5,295	921	-	6,216
Interest	530	10	-	540
Total expenses	203,536	73,477	(5,936)	271,077
Excess (deficiency) of revenue over expenses	2,657	(473)	-	2,184
Other changes in unrestricted net assets				
Defined benefit plan adjustments	13,094	-	-	13,094
Changes in unrealized gains and losses on investments	(2,299)	-	-	(2,299)
Contributions	-	50	-	50
Transfers to related entities	(17,139)	-	-	(17,139)
Net assets released from restrictions for capital acquisitions	226	-	-	226
Decrease in unrestricted net assets	$ (3,461)	$ (423)	$ -	$ (3,884)

NYU Lutheran
Combining Statement of Operations
Period From January 1, 2015 to March 31, 2015

Predecessor

(in thousands)	Lutheran Medical and Lutheran Family Health Centers	OHP PHSP, Inc.	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
Revenue								
Net patient service revenue (after contractual allowances and discounts)	$ 142,814	$ -	$ 7,629	$ -	$ 9,448	$ 2,117	$ (4,061)	$ 157,947
Provision for bad debts	10,000	-	123	-	-	36	-	10,159
Net patient service revenue - net of provision for bad debts	132,814	-	7,506	-	9,448	2,081	(4,061)	147,788
Premium revenue	2,334	-	-	-	-	-	-	2,334
Grant income	8,235	-	-	19	-	-	-	8,254
Investment income	473	51	8	3	-	-	-	535
Net assets released from restrictions	461	-	-	-	-	-	-	461
Other revenue	4,674	-	329	2,340	73	1,166	(316)	8,266
Total revenue	148,991	51	7,843	2,362	9,521	3,247	(4,377)	167,638
Expenses								
Salaries and wages	74,076	-	3,929	296	10,181	1,845	(17)	90,310
Employee benefits	26,532	-	1,563	127	1,677	664	(13)	30,550
Supplies and expenses	45,993	117	1,671	1,014	3,550	930	(4,347)	48,928
Depreciation and amortization	4,816	-	341	437	-	17	(41)	5,570
Interest	486	-	212	433	-	-	-	1,131
Total expenses	151,903	117	7,716	2,307	15,408	3,456	(4,418)	176,489
(Deficiency) excess of revenue over expenses	(2,912)	(66)	127	55	(5,887)	(209)	41	(8,851)
Other changes in unrestricted net assets								
Defined benefit plan adjustments	(9,060)	-	-	-	-	-	-	(9,060)
Changes in unrealized gains and losses on investments	1,524	(41)	-	-	-	-	-	1,483
Contributions	6	-	-	-	-	-	-	6
Reclassification of permanently restricted net assets	308	-	-	-	-	-	-	308
Net assets released from restrictions for capital acquisitions	18	-	-	-	-	-	-	18
(Decrease) increase in unrestricted net assets	$ (10,116)	$ (107)	$ 127	$ 55	$ (5,887)	$ (209)	$ 41	$ (16,096)

NYU Lutheran

NYU Lutheran Medical Center and NYU Lutheran Family Health Centers
Combining Statement of Operations
Period From January 1, 2015 to March 31, 2015

Predecessor

(in thousands)	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
Revenue				
Net patient service revenue (after contractual allowances and discounts)	$ 111,090	$ 31,943	$ (219)	$ 142,814
Provision for bad debts	8,882	1,118	-	10,000
Net patient service revenue - net of provision for bad debts	102,208	30,825	(219)	132,814
Premium revenue	-	2,334	-	2,334
Grant income	1,182	7,053	-	8,235
Investment income	473	-	-	473
Net assets released from restrictions	389	72	-	461
Other revenue	6,603	1,106	(3,035)	4,674
Total revenue	110,855	41,390	(3,254)	148,991
Expenses				
Salaries and wages	50,357	23,719	-	74,076
Employee benefits	18,915	7,617	-	26,532
Supplies and expenses	39,633	9,614	(3,254)	45,993
Depreciation and amortization	4,320	496	-	4,816
Interest	480	6	-	486
Total expenses	113,705	41,452	(3,254)	151,903
Deficiency of revenue over expenses	(2,850)	(62)	-	(2,912)
Other changes in unrestricted net assets				
Defined benefit plan adjustments	(9,060)	-	-	(9,060)
Changes in unrealized gains and losses on investments	1,524	-	-	1,524
Contributions	-	6	-	6
Reclassification of permanently restricted net assets	308	-	-	308
Net assets released from restrictions for capital acquisitions	18	-	-	18
Decrease in unrestricted net assets	$ (10,060)	$ (56)	$ -	$ (10,116)

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Appendix C

Summary of Certain Provisions of the Loan Agreement

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 2016A 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 (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) 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 (10th) day of each month commencing on the tenth (10th) 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 is issued, an amount equal to the Authority Fee relating to such Bonds;

(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 Applicable Obligation relating to the respective Bonds then Outstanding, 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. No Debt Service Reserve Fund is expected to be funded in connection with the Series 2016A Bonds.

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 undismissed 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 undismissed 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 undismissed 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 2011A Bonds, the Series 2014 Bonds and the Series 2016A 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)

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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 or 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 and Proposed Amendments

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Appendix E-1

Summary of Certain Provisions of the Master Indenture and Proposed Amendments

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.

Certain amendments described herein and in the Official Statement under the section heading "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016A BONDS – Proposed Amendments to the Master Indenture – *Proposed Amendments to the Master Indenture (Effective Upon the Receipt of the Required Consents)*" will become effective upon receipt by the Master Trustee of DASNY's consent to those amendments and evidence, in the form required by the Master Indenture, of the consent of the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding. By their purchase of the Series 2016A Bonds, the Holders thereof shall be deemed to have consented to the terms of such amendments and waived notice of such amendments, if any is required by the Master Indenture. Such consent shall be deemed a direction by the Holders of the Series 2016A Bonds to the Master Trustee to consent to the amendments as the Holder of the Series 2016A Obligation. Those amendments are set forth herein in bold and double underlined text in Section 1.02(c).

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 2016A 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 2016A 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 2016A Bonds means the Dormitory Authority of the State of New York NYU Hospital Center Revenue Refunding Bonds, Series 2016A issued under the Related Bond Indenture.

Series 2016A Obligation means the Obligation No. 15 amending, restating and consolidating the Obligations previously securing the Series 2006A Bonds and Series 2011A Bonds, which Obligation will secure the Series 2016A 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.

1.02(c) Interpretation. BY THEIR PURCHASE OF THE SERIES 2016A BONDS, THE HOLDERS THEREOF SHALL BE DEEMED TO HAVE CONSENTED TO THE AMENDMENTS CONTAINED IN THIS SECTION 1.02(c) (WHICH ARE DOUBLE UNDERLINED) AND WAIVED NOTICE OF SUCH AMENDMENT, IF ANY IS REQUIRED BY THE MASTER INDENTURE. SUCH AMENDMENT WILL BE EFFECTIVE UPON THE RECEIPT OF DASNY'S CONSENT AND THE CONSENT OF NOT LESS THAN 51% IN AGGREGATE PRINCIPAL AMOUNT OF OBLIGATIONS OUTSTANDING. Where the character or amount of any asset, liability or item of revenue or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements hereof or of such agreement, document or

certificate. If there is a change in generally accepted accounting principles and the Obligated Group shall determine that the change in such principles materially affects any consolidation, combination or other accounting computation required by this Master Indenture, or any other related agreement, document or certificate, any such consolidation, combination or other accounting computation shall be made (i) in accordance with generally accepted accounting principles currently in effect, or (ii) at the sole option of the Obligated Group as described below, to reflect adjustments generally consistent with generally accepted accounting principles in effect at the time of original execution and delivery of this Master Indenture, in which case such adjusted version, or the portion thereof, shall be used for the specified calculation, consolidation or combination required under this Master Indenture, or such agreement, document or certificate. If the Obligated Group elects to provide an adjustment to such consolidation, combination or other accounting computation, the Obligated Group Representative shall deliver an Officer's Certificate to the Master Trustee describing why then-current generally accepted accounting principles are inconsistent with the intent of the parties on the date of execution and delivery of this Master Indenture (including, but not limited to, to exclude the effect of "FASB ASC Topic 842, Leases" relating to treatment of leases formerly classified as operating leases under generally accepted accounting principles), the nature and effect of the adjustments made thereto and the effects thereof.

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 collectability 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 securing 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 depositary, 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 <u>Permitted Release of Mortgaged Property.</u> 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 Schedule 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 Holders' 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 of 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.

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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 Master 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

NYUHC shall provide, quarterly, an electronic copy of the Quarterly Report (as defined, described and consistent with the term 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, L.L.C. dated as of May 26, 2016 (the "Continuing Disclosure Agreement")), 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"). The Quarterly Report constitutes a Voluntary Financial Disclosure (as defined in the Continuing Disclosure Agreement) and the Continuing Disclosure Agreement provides that within a timely manner following receipt of a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall provide such information 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.

Each Quarterly Report (a "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.

In the event of a failure of NYUHC 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 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 the Continuing Disclosure Agreement to comply with the responsibilities thereunder or 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.

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 12)

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 2016A Bonds.

Appendix F

Proposed Form of Approving Opinion of Bond Counsel

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May 26, 2016

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

Re: $157,270,000 Dormitory Authority of the State of New York NYU Hospitals Center Revenue Bonds, Series 2016A

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 $157,270,000 aggregate principal amount of NYU Hospitals Center Revenue Bonds, Series 2016A (the "Series 2016A 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 2016A Resolution Authorizing NYU Hospitals Center Revenue Bonds, Series 2016A, adopted April 13, 2016 (the "Series 2016A Resolution"). The Resolution and the Series 2016A 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, Amended and Restated Supplement No. 4 to the Amended and Restated Loan Agreement, dated as of November 12, 2014 and Supplement No. 5 to the Amended and Restated Loan Agreement, dated as of April 13, 2016 (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 2016A 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 2016A Bonds.

The Series 2016A 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 2016A Bonds are secured by payments to be made by NYUHC on an Obligation representing the amendment of two prior Obligations of NYUHC (the "Series 2016 Obligation") to be secured under the Amended and Restated Master Trust Indenture, dated as of November 25, 2014, between NYUHC and The Bank of New York Mellon (the "Master Trustee") (as supplemented, the "Master Indenture"). The Series 2016 Obligation is being delivered to the Authority as evidence of NYUHC's obligation to repay the proceeds of the Series 2016A Bonds and each is assigned by the Authority to the Trustee as security for the payment of the Series 2016A Bonds.

Interest on the Series 2016A Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2017. The Series 2016A 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 2016A Bonds.

The Series 2016A Bonds are to be issued in fully registered form in the denominations of $5,000 and any integral multiples thereof. The Series 2016A 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 2016 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.

We have relied 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 Internal Revenue Code of 1986 (the "Code"), (ii) the intended operation of the facilities to be refinanced by the Series 2016A Bonds is substantially related to NYUHC's charitable purpose under Section 513(a) of the Code, and (iii) New York University's intended use of the NYUHC's facilities to be refinanced by the Series 2016A Bonds is 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 Services' 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 2016A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2016A 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 opinion speaks only as of its date and is not intended to, and may not, be relied upon 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, 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. We have further 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 2016A Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Series 2016A Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's 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 opinions with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution or 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 2016A Bonds and express no opinion with respect thereto herein.

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 2016A Bonds.

2. The Series 2016A 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 2016A Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2016A 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 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2016A 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 2016A 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 2016A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Appendix G

Proposed Form of Continuing Disclosure Agreement

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PROPOSED FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER, SERIES 2016A

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of May 26, 2016, is executed and delivered by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY"), NYU Hospitals Center (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary

Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Dissemination Agreement" means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934 as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon and its sucessors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 150 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending August 31, 2016, such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing

Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report, and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report , a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B which shall include the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof, and when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:

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 securities;

7. Modifications to rights of securities holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Ratings changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

14. Merger, consolidation, or acquisition of the Obligated Person, if material; and

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. “certain communications from the Internal Revenue Service;”

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the

Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person, which shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in "PART 7 – NYU HOSPITALS CENTER" herein relating to the following: (1) utilization statistics of the type set forth under the headings "Utilization – NYUHC Utilization Statistics"; (ii) revenue and expense data of the type set forth under the heading "Summary of Historical Revenue and Expenses of NYUHC"; (iii) data of the type set forth under the headings "Liquidity and Investments"; (iv) sources of patient service revenue of the type set forth under the heading "Payor Mix – NYUHC Percentage of Net Patient Revenue By Payor"; together with such narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modification to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender Offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the

Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person with the prior appovals of DASNY, may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure that the Obligated Person desires to make, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure

with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof. In the event that the Issuer intends to instruct the Disclosure Dissemination Agent to file a notice pursuant to Section 7 hereof, the Issuer will provide a copy of any such notice first to the Obligated Person and shall only instruct the Disclosure Dissemination Agent to file such notice if the Obligated Person does not object to such filing within 2 business days of receipt of such proposed notice. The Obligated Person shall provide the Issuer with a copy of any notice which it plans to have filed pursuant to Section 7 hereof, in advance of any such filing to the extent possible. Notwithstanding anything to the contrary in this Disclosure Agreement, no breach of this Disclosure Agreement shall occur as a result of or be deemed to arise from the Obligated Person's failure to comply with the provisions of this Section 7 or failure to include in any filing under any section of this Disclosure Agreement any information or material that is not specifically required by the Rule.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Audited Financial Statements, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Audited Financial Statements, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statement, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days' written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the

benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of , the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder-4.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend amendments to this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:____
Name:_____________________________________
Title:______________________________________

NYU HOSPITALS CENTER,
Obligated Person

By:____
Name:_____________________________________
Title:______________________________________

DORMITORY AUTHORITY OF THE STATE OF NEW YORK,
Issuer

By:____
Authorized Officer

THE BANK OF NEW YORK MELLON,
as Trustee

By: _______________________________________
Name: ____________________________________
Title: _____________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	NYU Hospitals Center
Name of Bond Issue:	NYU Hospitals Center Revenue Bonds, Series 2016A
Date of Issuance:	May 26, 2016
Date of Official Statement:	May 12, 2016

Series 2016A

Maturity July 1,	CUSIP No.
2017	64990BR96
2018	64990BS20
2019	64990BS38
2020	64990BS46
2021	64990BS53
2022	64990BS61
2023	64990BS79
2024	64990BS87
2025	64990BS95
2026	64990BT29
2027	64990BT37

Series 2016A

Maturity July 1,	CUSIP No.
2028	64990BT45
2029	64990BT52
2030	64990BT60
2031	64990BT78
2032	64990BT86
2033	64990BT94
2034	64990BU27
2035	64990BU35
2036	64990BU43
2040	64990BU50

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer	Dormitory Authority of the State of New York
Obligated Person:	NYU Hospitals Center
Name of Bond Issue:	NYU Hospitals Center Revenue Bonds, Series 2016A
Date of Issuance:	May 26, 2016

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Amended and Restated Agreement to Provide Continuing Disclosure, dated as of May 26, 2016, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, The Bank of New York Mellon, as Bond Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated:______________________________

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

____

cc: Issuer
Obligated Person

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

____ Description of Notice Events (Check One):

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 securities;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;"
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the Issuer or its agent (including the Obligated Person) to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of [   ] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;"
11._____"other event-based disclosures."

I hereby represent that I am authorized by the Issuer or its agent (including the Obligated Person) to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of [ ] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the Issuer or its agent (including the Obligated Person) to distribute this information publicly:

Signature:

____

Name: ___________________________________Title: ___________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • NYU HOSPITALS CENTER REVENUE BONDS, SERIES 2016A

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