



\$120,820,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MOUNT SINAI SCHOOL OF MEDICINE OF NEW YORK UNIVERSITY
REVENUE BONDS, SERIES 2007

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

Payment and Security: The Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) are special obligations of the Dormitory Authority of the State of New York (the “Authority”) payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the “Loan Agreement”), dated as of June 27, 2007, between the Mount Sinai School of Medicine of New York University (the “Institution” or the “School”) and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Mount Sinai School of Medicine of New York University Revenue Bond Resolution, adopted June 27, 2007 (the “Resolution”) and established under the Series 2007 Resolution Authorizing Up To \$141,000,000 Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007, adopted June 27, 2007 (the “Series 2007 Resolution”).

Payment of the principal and interest on the Series 2007 Bonds will be insured in accordance with the terms of a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (“MBIA” or the “Insurer”) simultaneously with the delivery of the Series 2007 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The MBIA Insurance Corporation Insurance Policy.”



The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2007 Bonds, as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge of certain revenues of the Institution. At the time of delivery of the Series 2007 Bonds, a portion of the bond proceeds will be used to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement. **Neither the Loan Agreement nor the Series 2007 Bonds are obligations of New York University, The Mount Sinai Hospital or The Mount Sinai Medical Center, Inc.**

The Series 2007 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2008 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2007 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2007 Bonds, by wire transfer to the holder of such Series 2007 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2007 Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2007 Bonds, by wire transfer to the holders of such Series 2007 Bonds as more fully described herein.

The Series 2007 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the Series 2007 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2007 Bonds, payments of the principal and Redemption Price of and interest on such Series 2007 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 2007 BONDS - Book-Entry Only System” herein.

Redemption and Purchase in Lieu of Optional Redemption: *The Series 2007 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Matters: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, 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 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). In the further opinion of Bond Counsel, interest on the Series 2007 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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds. See “PART 11 - TAX MATTERS” herein.

The Series 2007 Bonds are offered when, as and if issued. The offer of the Series 2007 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Institution by Michael G. Macdonald, Esq., its Executive Vice President and General Counsel and by its Special Counsel, Winston & Strawn LLP, New York, New York, and for the Underwriters by their Counsel, Hawkins Delafield & Wood LLP, New York, New York. The Authority expects to deliver the Series 2007 Bonds in definitive form in New York, New York, on or about September 27, 2007.

Goldman, Sachs & Co.

Alta Capital Group, LLC
JPMorgan

Janney Montgomery Scott LLC
Merrill Lynch

\$120,820,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MOUNT SINAI SCHOOL OF MEDICINE OF NEW YORK UNIVERSITY
REVENUE BONDS, SERIES 2007

\$41,920,000 Serial Bonds

<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹ <u>Number</u>	<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹ <u>Number</u>
2008	\$ 605,000	4.00%	3.54%	649903UM1	2017	\$3,730,000	5.00%	3.84%	649903UW9
2009	745,000	4.00	3.54	649903UN9	2018	3,915,000	5.00	3.94†	649903UX7
2010	775,000	4.00	3.54	649903UP4	2019	4,110,000	5.00	4.03†	649903UY5
2011	810,000	4.00	3.55	649903UQ2	2020	4,320,000	5.00	4.09†	649903UZ2
2012	840,000	4.00	3.57	649903UR0	2021	3,665,000	5.00	4.14†	649903VA6
2013	870,000	4.00	3.60	649903US8	2022	3,845,000	5.00	4.19†	649903VB4
2014	905,000	4.00	3.63	649903UT6	2023	4,040,000	5.00	4.24†	649903VC2
2015	945,000	4.00	3.68	649903UU3	2024	4,250,000	5.00	4.28†	649903VD0
2016	3,550,000	5.00	3.75	649903UV1					
\$14,045,000 5.00% Term Bonds Due July 1, 2027 Priced to Yield 4.37%† CUSIP¹ Number 649903VE8									
\$49,265,000 5.00% Term Bonds Due July 1, 2035 Priced to Yield 4.51%† CUSIP¹ Number 649903VF5									
\$15,590,000 4.50% Term Bonds Due July 1, 2037 Priced to Yield 4.60% CUSIP¹ Number 649903VG3									

¹ Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2007 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2007 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2007 Bonds.

† Priced at the stated yield to the July 1, 2017 optional redemption date at a redemption price of 100%.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2007 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information in this Official Statement has been supplied by the Institution, the Insurer and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriters guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority or the Underwriters.

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.

The Institution reviewed the parts of this Official Statement describing the Institution, the Series 2007 Project, the Refunding Plan, the Estimated Sources and Uses of Funds, the Principal, Sinking Fund Installments and Interest Requirements, the Mortgage, Continuing Disclosure and Appendix B. It is a condition to the sale and the delivery of the Series 2007 Bonds that the Institution certify that, as of each such date, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to information concerning the Insurer and the Insurer's policy (the "MBIA Insurance Corporation Insurance Policy" or the "Policy") contained under the caption "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The MBIA Insurance Corporation Insurance Policy" herein and in Appendix F, none of the information in this Official Statement has been supplied or verified by the Insurer, and the Insurer makes no representation or warranty, express or implied, as to: (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Bonds; or (iii) the tax status of the interest on the Series 2007 Bonds.

References in this Official Statement to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy are on file with the Authority and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2007 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY ALBANY, N.Y. 12207
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR GAIL H. GORDON, ESQ. - CHAIR

**OFFICIAL STATEMENT RELATING TO
\$120,820,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
MOUNT SINAI SCHOOL OF MEDICINE OF NEW YORK UNIVERSITY
REVENUE BONDS, SERIES 2007**

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the "Authority"), MBIA Insurance Corporation ("MBIA" or the "Insurer") and the Mount Sinai School of Medicine of New York University (the "Institution" or the "School") in connection with the offering by the Authority of \$120,820,000 principal amount of its Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007 (the "Series 2007 Bonds").

The following is a brief description of certain information concerning the Series 2007 Bonds, the Authority, the Insurer and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2007 Bonds are being issued to (i) pay or provide for the payment at maturity of all of the Authority's outstanding Tax-Exempt Commercial Paper Notes (Mount Sinai School of Medicine 2000 Issue) (the "Refunded Notes"), as more fully described in "PART 6 - THE REFUNDING PLAN" herein, (ii) finance the Costs of the Series 2007 Project, as more fully described in "PART 5 - THE SERIES 2007 PROJECT" herein, (iii) provide moneys sufficient to pay a portion of the interest accruing on the Series 2007 Bonds, (iv) make a deposit into the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement with respect to the Series 2007 Bonds and (v) pay certain Costs of Issuance of the Series 2007 Bonds, including payment of the premium for the Policy. See "PART 7 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2007 Bonds will be issued pursuant to the Resolution, the Series 2007 Resolution and the Act. The Resolution authorizes the issuance of multiple Series of Bonds. Each Series of Bonds is to be separately secured by the Revenues and the funds and accounts established pursuant to a Series Resolution. The Series 2007 Bonds (and any additional Bonds issued under the Resolution) are also secured by the pledge of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges. See "PART 4 - THE INSTITUTION-ANNUAL FINANCIAL STATEMENT INFORMATION - Faculty Practice Associates Plan." In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority's security interest in the Pledged Revenues securing the Series 2007 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - Additional Bonds/Parity Indebtedness" and "Appendix C- Summary of Certain Provisions of the Loan Agreement." The Series 2007 Resolution authorizes the issuance of the Series 2007 Bonds in an amount not to exceed \$141,000,000. See "PART 3 - THE SERIES 2007 BONDS."

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions and to purchase and make certain loans in connection with its student loan program. See "PART 8 - THE AUTHORITY."

The Institution

The Institution is an independent, coeducational, nonsectarian institution of higher education chartered by the Board of Regents of the State. The Institution is located in New York, New York. See "PART 4 - THE INSTITUTION" and "Appendix B – Consolidated Financial Statements of Mount Sinai School of Medicine of New York University for the Year Ended December 31, 2006 with Report of Independent Auditors." **Neither the Loan Agreement nor the Series 2007 Bonds are obligations of New York University, The Mount Sinai Hospital or The Mount Sinai Medical Center, Inc.**

The Series 2007 Bonds

The Series 2007 Bonds will be dated the date of delivery, and will bear interest from such date (payable January 1, 2008 and on each July 1 and January 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2007 BONDS."

Payment of the Series 2007 Bonds

The Series 2007 Bonds will be special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. Pursuant to the Resolution and the Series 2007 Resolution, the Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS."

Security for the Series 2007 Bonds

The Series 2007 Bonds will be secured by the Revenues and the funds and accounts established pursuant to the Series 2007 Resolution. The Series 2007 Bonds (and any additional Bonds issued under the Resolution) are also secured by the pledge of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges. See "PART 4-THE INSTITUTION - ANNUAL FINANCIAL STATEMENT INFORMATION - Faculty Practice Associates Plan." In connection with future indebtedness of the Institution,

the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority's security interest in the Pledged Revenues securing the Series 2007 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - Additional Bonds/Parity Indebtedness" and "Appendix C-Summary of Certain Provisions of the Loan Agreement." The Series 2007 Bonds will also be secured by the proceeds from the sale of the Series 2007 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2007 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund. Payment of principal and interest on the Series 2007 Bonds will be insured by MBIA. 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 and the Series 2007 Bonds. Except as set forth above, 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. The Pledged Revenues, which are subject to Prior Pledges, will secure the Institution's obligations under the Loan Agreement. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - Security for the Series 2007 Bonds."

The Series 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Bond Insurance

The Insurer has committed to issue a financial guaranty insurance policy (the "MBIA Insurance Corporation Insurance Policy") guaranteeing the payment of the principal and Sinking Fund Installments, if any, of and interest on the Series 2007 Bonds when due. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The MBIA Insurance Corporation Insurance Policy" and "Appendix F - Specimen Financial Guaranty Insurance Policy."

The Mortgage

The Institution's obligations to the Authority under the Loan Agreement will be additionally secured by a mortgage (the "Mortgage") on the Mortgaged Property and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Authority may, but has no present intention to, assign the Mortgage and such security interests to the Trustee. Upon occurrence of an event of default under the Resolution, other than an event of default as a result of which interest on the Series 2007 Bonds is no longer excludable from gross income for federal income tax purposes, the Authority, upon request of the Insurer, is obligated to assign the Mortgage and such security interests to the Trustee. Unless the Mortgage and such security interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures, furnishings and equipment nor any proceeds there from will be pledged to the Holders of the Series 2007 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The Mortgage."

The Series 2007 Project

The Series 2007 Project consists of (i) the modernization, renovation and equipping of the building, located at 5 East 102nd Street, New York, New York, to convert it from its current use as a parking garage and office space to a clinical and administrative facility, (ii) renovations to the Atran-Berg Laboratory and the Annenberg Building and (iii) other capital improvements. See "PART 5 - THE SERIES 2007 PROJECT."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2007 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy. Copies of the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy 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 F - Specimen Financial Guaranty Insurance Policy" for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund and the Debt Service Reserve Fund refer to such funds established pursuant to the Series 2007 Resolution.

Payment of the Series 2007 Bonds

The Series 2007 Bonds will be special obligations of the Authority. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement to satisfy the principal, Sinking Fund Installments and Redemption Price of and interest on the Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Series 2007 Bondholders.

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal and interest on Outstanding Series 2007 Bonds and any other Bonds issued under the Resolution. Such payments are to be made monthly on the 10th day of each month. Each payment is to be equal to a proportionate share of the interest coming due on the next succeeding interest payment date and of the principal and Sinking Fund Installments coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least 45 days prior to a redemption date of Series 2007 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See "PART 3 - THE SERIES 2007 BONDS - Redemption Provisions."

The Loan Agreement is not an obligation of New York University, The Mount Sinai Hospital or The Mount Sinai Medical Center, Inc.

The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds. The payments to be made by the Institution to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to such fund.

Security for the Series 2007 Bonds

The Series 2007 Bonds will be secured by the pledge and assignment of the Revenues, all funds and accounts authorized under the Resolution and established under the Series 2007 Resolution (with the exception of the Arbitrage Rebate Fund) and the Authority's security interest in the Pledged Revenues, subject to the Prior Pledges. See "PART 4 - THE INSTITUTION - ANNUAL FINANCIAL STATEMENT INFORMATION - Faculty Practice Associates Plan." Pursuant to the terms of the Resolution, the funds and accounts established by the Series 2007 Resolution secure only the Series 2007 Bonds, and do not secure any other Series of Bonds issued under the Resolution regardless of their dates of issue.

Pledged Revenues

The Series 2007 Bonds (and any additional Bonds issued under the Resolution) are also secured by the pledge of the Authority's security interest in the Pledged Revenues, consisting of moneys, income, rents and revenues receivable by the Institution from the fees charged for the professional services rendered to patients by members of the Institution's faculty who participate in the Institution's Faculty Practice Associates Plan or any successor or alternative arrangement and the right to receive the same, and the proceeds thereof, and the right to receive such Pledged Revenues subject to Prior Pledges. See "PART 4 - THE INSTITUTION – ANNUAL FINANCIAL STATEMENTS INFORMATION - Faculty Practice Associates Plan." In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority's security interest in the Pledged Revenues securing the Series 2007 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - Additional Bonds/Parity Indebtedness" and "Appendix C-Summary of Certain Provisions of the Loan Agreement."

Debt Service Reserve Fund

The Series 2007 Resolution establishes the Debt Service Reserve Fund. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2007 Bonds. The Debt Service Reserve Fund for the Series 2007 Bonds shall be maintained at an amount equal to the least of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding Series 2007 Bonds payable during such calendar year, and the principal and Sinking Fund Installments of Outstanding Series 2007 Bonds payable on July 1 of such calendar year, (ii) 10% of the net proceeds of the sale of the Series 2007 Bonds or (iii) 125% of the average of the principal and interest on the Series 2007 Bonds becoming due in one calendar year. The Debt Service Reserve Fund will be funded upon the issuance of the Series 2007 Bonds with proceeds of the Series 2007 Bonds. With the consent of the Insurer, the Institution may substitute a surety bond, insurance policy or letter of credit meeting the requirements of the Resolution (a "Reserve Fund Facility") for all or a portion of the Debt Service Reserve Fund Requirement. See "Appendix D - Summary of Certain Provisions of the Resolution."

Moneys are to be withdrawn from the Debt Service Reserve Fund and deposited in the Debt Service Fund whenever the amount in such Debt Service Fund on the fourth Business Day prior to an interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments, if any, of and interest on Outstanding Series 2007 Bonds payable on such interest payment date. The Loan Agreement requires that the Institution restore the Debt Service Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of its requirement shall be withdrawn and applied in accordance with the Resolution. See "Appendix D - Summary of Certain Provisions of the Resolution."

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix F for a specimen of MBIA's insurance policy (the "MBIA Insurance Corporation Insurance Policy" or the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the caption "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The MBIA Insurance Corporation Insurance Policy" herein. Additionally, MBIA makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2007 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2007 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2007 Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2007 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Series 2007 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other Trustee for the Series 2007 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2007 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2007 Bonds or presentment of such other proof of ownership of the Series 2007 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2007 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2007 Bonds in any legal proceeding related to payment of insured amounts on the Series 2007 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2007 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2007 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2007 Bonds. MBIA does not guaranty the market price of the Series 2007 Bonds nor does it guaranty that the ratings on the Series 2007 Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited) and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$6.8 billion (unaudited) and total capital and surplus of \$4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and

The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2007 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

The Mortgage

In connection with the delivery of the Series 2007 Bonds, the Institution will execute and deliver a mortgage to the Authority on certain property owned by the Institution and grant the Authority a security interest in certain fixtures, furnishings and equipment to secure the payments required to be made by the Institution pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement and the Mortgage and its security interests to the Trustee, but has no present intention to do so. Upon occurrence of an event of default under the Resolution, other than an event of default as a result of which interest on the Series 2007 Bonds is no longer excludable from gross income for federal income tax purposes, the Authority, upon request of the Insurer, is obligated to assign the Mortgage and such security interests to the Trustee for the benefit of the Holders of the Series 2007 Bonds. Unless the Mortgage and the security interests are assigned to the Trustee, neither the Mortgage nor the security interests in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the Series 2007 Bonds and the Holders of the Series 2007 Bonds should not regard the Mortgage as security for payment of principal and interest on the Series 2007 Bonds. Property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Authority and the Insurer but without the consent of the Trustee or the Holders of any Series 2007 Bonds.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2007 Resolution constitute events of default only with respect to the Series 2007 Bonds. The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2007 Bonds; (ii) the Authority shall default in the due and punctual performance of any covenants contained in the Series 2007 Resolution to the effect that the Authority shall comply with the provisions of the Code applicable to the Series 2007 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on the Series 2007 Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Series 2007 Bonds shall no longer be excludable from gross income under Section 103 of the Code; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2007 Bonds or in the Resolution or in the Series 2007 Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of the Insurer or the Holders of not less than 25% in principal amount of Outstanding Series 2007 Bonds); and (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). Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable, 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 (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee shall, (i) upon the written request of the Insurer of the Series 2007 Bonds or the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer, or (ii) if the Insurer is the Holder of all Outstanding Series 2007 Bonds, upon the written request of the Insurer, or (iii) if the Insurer has deposited with the Trustee a sum sufficient to pay the principal of and interest on the Outstanding Series 2007 Bonds due upon the acceleration thereof, upon the request of such Insurer, by written notice to the Authority, declare the principal of and interest on all the Outstanding Series 2007 Bonds to be due and payable immediately. At the expiration of thirty (30) days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Insurer or the Holders of not less than 25% in principal amount of the Series 2007 Bonds then Outstanding, with the consent of the Insurer, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment. See "Appendix D - Summary of Certain Provisions of the Resolution."

The Insurer or the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer or, in the case of a default described in subclause (ii) in the first paragraph under this subheading, the Holders of not less than a majority in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer, shall have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee (i) to the Insurer within five (5) days, and (ii) to the Holders of the Series 2007 Bonds within thirty (30) days, 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 Installments or Redemption Price of, or interest on, any of the Series 2007 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 2007 Bonds.

General

The Series 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See “PART 8 - THE AUTHORITY.”

Additional Bonds/Parity Indebtedness

In addition to the Series 2007 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes for the benefit of the Institution. Each such Series of Bonds will be separately secured by the revenues and the funds and accounts established pursuant to a Series Resolution authorizing such Series. However, any additional Bonds issued under the Resolution will also be secured by the pledge of the Authority’s security interest in the Pledged Revenues, on a parity with the Series 2007 Bonds, but subject to Prior Pledges. See “PART 4 - THE INSTITUTION - ANNUAL FINANCIAL STATEMENT INFORMATION - Faculty Practice Associates Plan.” In addition, the Institution may incur other indebtedness in the future and may grant to the holders of such indebtedness a security interest in the Pledged Revenues on a parity with the Authority’s security interest in the Pledged Revenues securing the Series 2007 Bonds and any such additional Bonds. See “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

PART 3 – THE SERIES 2007 BONDS

Description of the Series 2007 Bonds

The Series 2007 Bonds will be issued pursuant to the Resolution and the Series 2007 Resolution. The Series 2007 Bonds will be dated the date of delivery, and will bear interest from such date (payable January 1, 2008 and on each July 1 and January 1 thereafter) at the rates, and will mature at the times, set forth on the inside cover page of this Official Statement.

The Series 2007 Bonds will be issued as fully registered bonds. The Series 2007 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2007 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2007 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2007 Bonds, the Series 2007 Bonds will be exchangeable for other fully registered Series 2007 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” herein and “Appendix D - Summary of Certain Provisions of the Resolution.”

Interest on the Series 2007 Bonds will be payable by check mailed to the registered owners thereof. The principal or redemption price of the Series 2007 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent; or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2007 Bonds, by wire transfer to the holders of such Series 2007 Bonds. As long as the Series 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

For a more complete description of the Series 2007 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Optional Redemption Provisions

The Series 2007 Bonds are subject to optional, special and mandatory redemption, and purchase in lieu of optional redemption, as described below.

Optional Redemption

The Series 2007 Bonds maturing on or before July 1, 2017, are not subject to optional redemption prior to maturity. The Series 2007 Bonds maturing after July 1, 2017 are subject to redemption prior to maturity on or after July 1, 2017 in any order at the option of the Authority, in whole or in part at any time, at a Redemption Price of 100% of the principal amount of the Series 2007 Bonds to be redeemed plus accrued interest to the redemption date.

Special Redemption

The Series 2007 Bonds are also subject to redemption, in whole or in part, at a Redemption Price of 100% of the principal amount of the Series 2007 Bonds to be redeemed plus accrued interest to the redemption date, at the option of the Authority on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property, and from unexpended proceeds of the Series 2007 Bonds upon the abandonment of all or a portion of the Series 2007 Project due to a legal or regulatory impediment.

Mandatory Redemption

In addition, the Series 2007 Bonds are also 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 2007 Bonds specified for each of the years shown below:

Term Bonds Maturing on July 1, 2027

<u>Year</u>	<u>Amount</u>
2025	\$ 4,455,000
2026	4,675,000
2027	4,915,000†

†Final maturity

Term Bonds Maturing on July 1, 2035

<u>Year</u>	<u>Amount</u>
2028	\$ 5,160,000
2029	5,420,000
2030	5,685,000
2031	5,975,000
2032	6,270,000
2033	6,580,000
2034	6,915,000
2035	7,260,000†

†Final maturity

**Term Bonds
Maturing on July 1, 2037**

<u>Year</u>	<u>Amount</u>
2036	\$ 7,625,000
2037	7,965,000†

†Final maturity

The Authority may from time to time direct the Trustee to purchase Series 2007 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 2007 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 2007 Bonds of the same maturity. The Institution also may purchase Series 2007 Bonds and apply any Series 2007 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 2007 Bonds of the same maturity. 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 2007 Bonds of the maturity so purchased will be reduced for such year.

Purchase in Lieu of Optional Redemption

The Series 2007 Bonds maturing after July 1, 2017 are subject to purchase in lieu of optional redemption prior to maturity, at the election of the Institution, with the prior written consent of the Insurer, on or after July 1, 2017, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date").

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2007 Bonds described above under the heading "*Optional Redemption*," the Authority will select the maturities of the Series 2007 Bonds to be redeemed. In the case of redemptions of Series 2007 Bonds described above under the heading "*Special Redemption*," Series 2007 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2007 Bonds to be redeemed. If less than all of the Series 2007 Bonds of a maturity are to be redeemed (pursuant to an optional or special redemption), the Series 2007 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2007 Bonds in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2007 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten (10) Business Days prior to the date such notice is given. The failure of any owner of a Series 2007 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2007 Bond with respect to which notice has been given in accordance with the provisions of the Resolution. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2007 Bonds.

If on the redemption date moneys for the redemption of the Series 2007 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2007 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2007 Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2007 Resolution.

Notice of Purchase in Lieu of Optional Redemption and its Effect

Notice of purchase in lieu of optional redemption of the Series 2007 Bonds will be given in the name of the Institution to the registered owners of the Series 2007 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2007 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2007 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2007 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 or modify the terms of the Series 2007 Bonds and such Series 2007 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Institution's obligation to purchase a Series 2007 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 2007 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 2007 Bonds to be purchased, the former registered owners of such Series 2007 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 2007 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, Sinking Fund Installments, if any, of and interest on such Series 2007 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2007 Bonds of a maturity are to be purchased, the Series 2007 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2007 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of optional redemption and other provisions relating to the Series 2007 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Bond certificate will be issued for each maturity of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC", "FICC" and "EMCC", respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", and together with Direct Participants, "Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, redemption premium, if any, and interest payments on the Series 2007 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's

practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on 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 shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The information herein concerning DTC and DTC's book-entry-only 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 2007 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 to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2007 BONDS.**

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

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

For every transfer and exchange of Series 2007 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 2007 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2007 Bonds, or (ii) a continuation of the requirement that all of the Outstanding 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 2007 Bond certificates will be delivered as described in the Resolution.

Principal, Sinking Fund Installments and Interest Requirements

The following table sets forth the amounts, after giving effect to the issuance of the Series 2007 Bonds, required to be paid by the Institution during each twelve month period ending June 30 of the years shown for the payment of debt service on the currently outstanding indebtedness of the Institution, the principal and Sinking Fund Installments of and interest on the Series 2007 Bonds and the total debt service on all indebtedness of the Institution, including the Series 2007 Bonds.

Debt Service on Institution Indebtedness*

12 Month Period Ending June 30,	Series 2007 Bonds				
	Debt Service on Outstanding Indebtedness	Principal Payments and Sinking Fund Installments	Interest Payments	Total Debt Service on the Series 2007 Bonds	Total Debt Service
2008	\$ 22,376,563.00	\$ 0.00	\$ 1,540,059.44	\$ 1,540,059.44	\$ 23,916,622.44
2009	22,386,300.00	605,000.00	5,886,000.00	6,491,000.00	28,877,300.00
2010	22,361,245.00	745,000.00	5,859,000.00	6,604,000.00	28,965,245.00
2011	22,396,103.00	775,000.00	5,828,600.00	6,603,600.00	28,999,703.00
2012	22,345,213.00	810,000.00	5,796,900.00	6,606,900.00	28,952,113.00
2013	22,350,825.00	840,000.00	5,763,900.00	6,603,900.00	28,954,725.00
2014	22,328,381.00	870,000.00	5,729,700.00	6,599,700.00	28,928,081.00
2015	22,355,838.00	905,000.00	5,694,200.00	6,599,200.00	28,955,038.00
2016	22,333,863.00	945,000.00	5,657,200.00	6,602,200.00	28,936,063.00
2017	14,340,738.00	3,550,000.00	5,549,550.00	9,099,550.00	23,440,288.00
2018	14,326,363.00	3,730,000.00	5,367,550.00	9,097,550.00	23,423,913.00
2019	14,317,988.00	3,915,000.00	5,176,425.00	9,091,425.00	23,409,413.00
2020	14,304,363.00	4,110,000.00	4,975,800.00	9,085,800.00	23,390,163.00
2021	14,289,363.00	4,320,000.00	4,765,050.00	9,085,050.00	23,374,413.00
2022	14,276,613.00	3,665,000.00	4,565,425.00	8,230,425.00	22,507,038.00
2023	14,250,336.00	3,845,000.00	4,377,675.00	8,222,675.00	22,473,011.00
2024	14,233,175.00	4,040,000.00	4,180,550.00	8,220,550.00	22,453,725.00
2025	14,216,895.00	4,250,000.00	3,973,300.00	8,223,300.00	22,440,195.00
2026	0.00	4,455,000.00	3,755,675.00	8,210,675.00	8,210,675.00
2027	0.00	4,675,000.00	3,527,425.00	8,202,425.00	8,202,425.00
2028	0.00	4,915,000.00	3,287,675.00	8,202,675.00	8,202,675.00
2029	0.00	5,160,000.00	3,035,800.00	8,195,800.00	8,195,800.00
2030	0.00	5,420,000.00	2,771,300.00	8,191,300.00	8,191,300.00
2031	0.00	5,685,000.00	2,493,675.00	8,178,675.00	8,178,675.00
2032	0.00	5,975,000.00	2,202,175.00	8,177,175.00	8,177,175.00
2033	0.00	6,270,000.00	1,896,050.00	8,166,050.00	8,166,050.00
2034	0.00	6,580,000.00	1,574,800.00	8,154,800.00	8,154,800.00
2035	0.00	6,915,000.00	1,237,425.00	8,152,425.00	8,152,425.00
2036	0.00	7,260,000.00	883,050.00	8,143,050.00	8,143,050.00
2037	0.00	7,625,000.00	529,987.50	8,154,987.50	8,154,987.50
2038	0.00	7,965,000.00	179,212.50	8,144,212.50	8,144,212.50

* Excludes approximately \$3.8 million of Authority tax-exempt leasing program loans.

PART 4 - THE INSTITUTION

GENERAL INFORMATION

History

The School was founded as a teaching and research facility and is affiliated with The Mount Sinai Hospital (“Hospital”), a tertiary-care teaching hospital with 1,406 certified beds, and The Mount Sinai Medical Center, Inc. (the “Medical Center” and, together with the School and the Hospital, “Mount Sinai”), a not-for-profit corporation which coordinates the fund-raising activities of the School and the Hospital. The School conducts research and clinical programs and educates physicians, scientists and medical students for careers in the practice of medicine, the delivery of health care and the pursuit of medical research. The School grants M.D., Ph.D. and Masters degrees.

The School was granted a charter by the Board of Regents in 1968 and, effective July 1, 1999, became affiliated with New York University (“NYU”), which grants degrees to the School’s students. The School, however, remains financially autonomous from NYU and is self-governing with a separate Board of Trustees.

Although the School is managed separately and is a separate legal entity from the Hospital, the two institutions are closely affiliated and share a four-block campus on the upper east side of Manhattan. The relationship between the Hospital and the School permits these institutions to fulfill their commitment to providing high quality medical care, medical education and medical research. In furtherance of this close relationship, a faculty appointment at the School is required for appointment to the medical staff of the Hospital, unless a waiver is granted.

NEITHER THE HOSPITAL, THE MEDICAL CENTER NOR NYU IS OBLIGATED WITH RESPECT TO THE SERIES 2007 BONDS, NOR IS THE SCHOOL OBLIGATED WITH RESPECT TO INDEBTEDNESS OF THE HOSPITAL, THE MEDICAL CENTER OR NYU.

Governance

The School is governed by a Board of Trustees comprised of an authorized maximum of 70 members. The Board holds five regular meetings each year. In addition, the Board of Trustees has formed several committees, including an Executive Committee, which is authorized to act for the full Board of Trustees and meets five times per year, and Finance and Audit Committees, among others.

The current membership of the Board of Trustees is as follows:

<u>Trustee</u>	<u>Company Affiliation</u>	<u>Initially Elected</u>
May, Mr. Peter W. (Chairman)	Triarc Companies, Inc.	1989
Blau, Mr. Harvey R.	Griffon Corporation	2000
Block, Mr. Thomas R.	Block Buildings LLC	1976
Brody, Mr. Christopher W.	Vantage Partners, LLC	1994
Bronfman, Mr. Charles R.	The Andrea and Charles Bronfman Philanthropies	2002
Colin, Ms. Cynthia	Smith Barney, Inc.	1978
Crystal, Mrs. Jean C.	Philanthropist	1996
Crystal, Mr. James W.	Frank Crystal & Co., Inc.	1982
Cullman, Mr. Edgar M.	Culbro, LLC	1957
Dubin, Mr. Glenn	Highbridge Capital Management	2004
Ehrenkranz, Mr. Joel S.	Ehrenkranz & Ehrenkranz LLP	1982
Einhorn, Mr. Steven G.	Omega Advisors, Inc.	2001
Fogg, Mr. Blaine V.	Skadden, Arps, Slate, Meagher & Flom	1987

<u>Trustee</u>	<u>Company Affiliation</u>	<u>Initially Elected</u>
Friedman, Mr. Richard A.	Goldman, Sachs Inc.*	2001
Friedman, Mr. Robert	Radical Thinking	2001
Gaisman, Mrs. Henry J.	Philanthropist	1978
Glimcher, Mr. Arne	Pace Wildenstein	2000
Gogel, Mr. Donald J.	Clayton, Dubilier & Rice, Inc.	1982
Goldsmith, Mr. Clifford H.	The Prendel Company	1980
Gross, Mr. Michael S.	Magnetar Capital	2005
Gross, Mrs. Vicki	Philanthropist	2005
Grumbach, Jr., Mr. George J.	Philanthropist	1980
Hamburg, Dr. David A.	Weill Medical College, Cornell Univ.	1984
Heineman, Mr. Andrew D.	Philanthropist	1975
Icahn, Mr. Carl C.	Icahn Associates, Corp.	2000
Jones, Mr. Lewis P.	JP Morgan Asset Management**	1994
Katz, Mrs. Ellen	Philanthropist	1986
Klingenstein, Mr. Frederick A.	Klingenstein, Fields & Co., L.P.	1971
Kravis, Mr. Henry R.	Kohlberg Kravis Roberts & Company	1981
Lasry, Mr. Marc	Avenue Capital Group	2006
Levin, Mr. John A.	Levin Capital Strategies, LP	1980
Levinson, Mrs. Patricia S.	Philanthropist	1981
Mimran, Mr. David	Milestone International Partners	2005
Mindich, Mr. Eric	Eton Park Capital Management	1998
Minikes, Mr. Michael	Bear, Stearns & Co., Inc.	1997
Nash, Mr. Jack	Ulysses Management	1990
Neustein, Ms. Robin	Philanthropist	1998
Nussbaum, Mr. Bernard W.	Wachtell, Lipton, Rosen & Katz	1994
Ravitch, Mr. Richard	Ravitch Rice & Co., LLC	1997
Rayfield, Elliot J., M.D.	Mount Sinai School of Medicine	2007
Richenthal, Mr. Arthur	Richenthal Foundation	2000
Rubin, Mrs. Judith O.	Philanthropist	1993
Rubin, The Honorable Robert E.	Citigroup, Inc.	1999
Ruttenberg, Mr. Eric M.	Tinicum Incorporated	1991
Saul, Mr. Andrew M.	Saul Partners, L.P.	1979
Schwartz, Mr. Stephen L.	The Brookdale Foundation	1983
Stern, Mr. Daniel H.	Reservoir Capital Group	2005
Strauss, Mr. Thomas W.	Ramius Capital Group, LLC	1983
Surnamer, Mrs. Maura	Philanthropist	2006
Urfirer, Mr. Michael J.	Bear, Stearns & Co., Inc.	2000
Wiener, Mr. Michael A.	Philanthropist	1997

* Goldman Sachs & Co., Inc. is the senior underwriting manager for the Series 2007 Bonds.

** JPMorgan Chase & Co. is included in the group of co-managers for the sale of the Series 2007 Bonds.

Senior Management

The senior management of the School is as follows:

Kenneth L. Davis, M.D., Chief Executive Officer, Chief Operating Officer. Dr. Davis was appointed Chief Executive Officer and Chief Operating Officer of School, President and Chief Executive Officer of the Medical Center and Chief Executive Officer of the Hospital in March 2003. Dr. Davis served as Dean of the School from January 2003 through March 2007. Dr. Davis joined the faculty of the School in 1979, becoming Chief Executive of Psychiatry at James J. Peters VA Medical Center (Bronx) (“Bronx VA”). He spearheaded

the School's research program in the biology of schizophrenia and was the first director of the Schizophrenia Biological Research Center at Bronx VA. In 1987, he was appointed Chairman of the School's Department of Psychiatry. Dr. Davis directs Mount Sinai's National Institute on Aging-supported Alzheimer's Disease Research Center. His work has focused on all aspects of experimental therapeutics, including animal models, assessment instruments, and design issues in drug testing. He has conducted numerous studies of potential therapeutic agents to slow the course of Alzheimer's disease. Dr. Davis also directs the newly funded Silvio O. Conte Center on the Neurosciences of Mental Disorder of the National Institute of Mental Health ("NIMH"), focusing on schizophrenia.

Dr. Davis received his bachelor's degree from Yale University, from which he graduated magna cum laude. He received his medical degree from the School, where he was valedictorian. He completed an internship and residency, and a fellowship in psychiatry and psychopharmacology, at Stanford University Medical Center, and thereafter won a career development award from the Veterans Administration to pursue his research in cholinergic mechanisms and neuropsychiatry diseases. Dr. Davis has authored or co-authored hundreds of scientific articles, and has been recognized by the Institute for Scientific Information as one of the most highly cited researchers in his field.

Dennis S. Charney, M.D., Dean. Dr. Charney succeeded Dr. Davis as Dean of the School in March 2007. Dr. Charney also serves as Executive Vice President for Academic Affairs of the Medical Center. From 2004-2006 he was the School's Dean for Research and Senior Vice President for Academic Affairs. From 2000-2004 Dr. Charney was the Chief of the Mood and Anxiety Disorder Research Program and the Experimental Therapeutics and Pathophysiology Branch at NIMH. This program is located in the NIMH intramural research division and is the nation's largest research group devoted to identifying the etiology of these disorders and discovering more effective treatment. Prior to coming to NIMH in September, 2000, Dr. Charney was Professor of Psychiatry and Deputy Chair of Academic and Scientific Affairs in the Department of Psychiatry at the Yale University School of Medicine.

Dr. Charney is one of the nation's foremost investigators in the neurobiology and treatment of mood and anxiety disorders. He has made fundamental contributions to the understanding of neural circuits, neurochemistry and functional neuroanatomy of the regulation of mood and anxiety and the psychobiological mechanisms of human resilience to stress. In addition, his research group has focused on the discovery of novel and more effective treatments for mood and anxiety disorders.

Dr. Charney has been a highly successful extramural NIMH and United States Department of Veterans Affairs ("VA") grantee and has extensive experience directing large multidisciplinary research teams. He was the Principal Investigator of the VA National Center for Posttraumatic Stress Disorder and the NIMH Yale Mental Health Clinical Research Center. Dr. Charney has served on numerous national committees in the service of advancing our understanding of the causes and treatment of psychiatric disorders. He has been a member of the Food and Drug Administration Psychopharmacologic Drug Advisory Committee. Dr. Charney has chaired the Board of Scientific Counselors for the National Institute of Mental Health, the Scientific Advisory Board of the Anxiety Disorders Association of America and the Depression and Bipolar Support Alliance Scientific Advisory Board, and is past President of the American College of Neuropsychopharmacology. He is also a member of the Scientific Advisory Board of the National Association for Research in Schizophrenia and Affective Disorders and the National Alliance for the Mentally Ill. He was Scientific Director of the NIMH Strategic Plan for Mood Disorder Research in 2002.

Michael G. Macdonald, Executive Vice President and General Counsel. Mr. Macdonald is Executive Vice President and General Counsel of the School, the Hospital and the Medical Center. Mr. Macdonald joined Mount Sinai in 1972 and established one of the first offices of general counsel in an academic medical center in the United States. Prior to joining Mount Sinai, he was associated with the New York law firm of Debevoise & Plimpton. Mr. Macdonald received his undergraduate education from Stanford University, where he also received his J.D. degree. After graduating from law school, he served as law clerk in Montgomery, Alabama, to the United States District Court Judge Frank M. Johnson, Jr.

Mr. Macdonald has held faculty appointments at the School and Brooklyn Law School. He is the author, with two colleagues, of a single-volume treatise on health care law for health care executives and professionals. He was also one of four editors of a more extensive, four-volume treatise on health care law published in 1990.

Donald Scanlon, Executive Vice President, Chief Financial Officer, Mount Sinai Medical Center. Mr. Scanlon was appointed Executive Vice President and Chief Financial Officer of the Medical Center in December 2003. In this capacity, the Chief Financial Officers of the Hospital and the School report to him. Previously, Mr. Scanlon had been Senior Vice President of Finance at New York Presbyterian Hospital & Health System. Mr. Scanlon was a Vice President of Finance at Mount Sinai for ten years before assuming his position at New York Presbyterian Hospital & Health System. Prior to that, Mr. Scanlon was an Audit Manager at Deloitte & Touche where he focused on healthcare clients.

Mr. Scanlon has been a Certified Public Accountant in New York State since 1987, and is a member of the American Institute of Certified Public Accountants (AICPA) and the New York State Society of Certified Public Accountants.

Jeffrey Silberstein, Executive Vice President, Administrative Affairs and Chief Administrative Officer and Dean for Operations. Mr. Silberstein was appointed Dean for Operations of the School in January 2003 and Executive Vice President, Administrative Affairs and Chief Administrative Officer of the School, the Hospital and the Medical Center in April 2003. Mr. Silberstein joined the School in June 1997, as the Administrative Director of the Department of Psychiatry. In March 2001, he became the Vice-Chairman of the Department of Psychiatry. Prior to joining Mount Sinai, Mr. Silberstein served as a consultant on financial information systems and was a Vice President at Salomon Brothers Inc. He received his Master in Business Administration from New York University and his bachelor's degree from the University of Pittsburgh.

Stephen T. Harvey, Senior Vice President and Chief Financial Officer. Mr. Harvey joined the School in 1991 and was appointed Chief Financial Officer of the School in 1999. As Chief Financial Officer of the School, Mr. Harvey is responsible for all aspects of the financial accounting and reporting for the School as well as accounts payable, payroll and cash management for the Medical Center. Prior to joining the School, Mr. Harvey was an audit manager at Coopers & Lybrand in Boston, MA with audit responsibilities principally in the higher education, healthcare and investment company industries. Mr. Harvey is a Certified Public Accountant. He received his Masters of Business Administration and Bachelor's Degree in Business Administration from University of Maine at Orono.

Louis S. Russo, M.D., Senior Vice President, Faculty Practice and Dean for Clinical Affairs. Dr. Russo joined the School in July 2002. Prior to joining the School, Dr. Russo most recently served for eight years as the Senior Associate Dean for the Jacksonville Programs of the University of Florida College of Medicine and Assistant Vice President for Health Affairs of the University of Florida Health Science Center/Jacksonville. Dr. Russo attended Johns Hopkins University and received his M.D. degree from New York University Medical School in 1969. Dr. Russo received graduate medical training in Internal Medicine at the Mayo Clinic in Rochester, Minnesota, and completed residency training in Neurology at New York University in 1973. He served as an instructor in Neurology at the School until becoming a member of the faculty of the University of Florida in 1977. Dr. Russo progressed to the rank of Professor of Neurology and served as the Associate Chairman for Jacksonville Programs of the University of Florida Department of Neurology from 1977 to 1992. He also served as the Assistant Dean for the Jacksonville programs of the University of Florida College of Medicine. Dr. Russo is a Fellow of the American Academy of Neurology and the American Heart Association. Dr. Russo has made numerous contributions to medical literature primarily in the field of neuromuscular disease and clinical electrophysiology and participated in several national study groups in the field of neuromuscular disease. Dr. Russo's research interests continue to be in neuromuscular disease, clinical neurophysiology, and dystonia.

Conflict of Interest

The School has formal programs, monitored by its Audit and Compliance Committee, to identify potential conflicts of interest. The purpose of these programs is to ensure that all institutional decisions are made solely to promote the best interests of the School without favor or preference based upon personal considerations, and to provide for the highest ethical conduct with respect to the actions and business relations of all trustees, employees and voluntary staff. The School has procedures in place to ensure compliance with these programs as well as with the various laws and regulations affecting the School.

Principal Facilities and Properties

The School principally utilizes seven buildings:

Icahn Medical Institute – The Icahn Medical Institute, which is owned by the School, opened in January 1997. Approximately 55% of the 17-story, 735,000 square foot building provides state-of-the art biomedical research space for the School’s expanding research program. The School leases the remainder of the building to the Hospital for patient care, clinical laboratories and administrative support activities.

Annenberg Building – The School leases approximately two-thirds of this 31-story, 586,000 square foot structure from the Hospital for teaching facilities, multidisciplinary laboratories and offices of instructional departments. The remainder of the facility is used for patient care by the Hospital.

5 East 98th Street – This building is used by the School for administrative offices, faculty practice patient care activities, and related teaching and research functions. The School occupies 131,000 square feet in 5 East 98th Street. The remaining 8% of the building is used by the Hospital for its administrative offices. This 16-story building is leased by the School from the Hospital.

Nathan Cummings Basic Sciences Building – The Nathan Cummings Basic Sciences Building is a 3-story, 74,600 square foot building owned by the School containing lecture rooms, laboratories and other facilities, which serve a variety of educational and research programs.

Atran-Berg Laboratory – The Atran-Berg Laboratory is a 10-story 126,000 square foot building leased from the Hospital, which houses both clinical and research laboratories.

5 East 102nd Street – This 8-story building owned by the School includes a parking garage on six floors and administrative offices on the top two floors. The building is being renovated to provide a multi-purpose research and clinical care facility as part of the Series 2007 Project. The School will grant the Authority a mortgage on this property to secure its obligations under the Loan Agreement. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Mortgage.”

Jane B. Aron Hall – The Jane B. Aron Hall, completed in 1984, is a 14-story dormitory building containing 613 units which are occupied by medical students, graduate students, nurses and residents.

Accreditation, Membership and Affiliations

In 2005, the School received a 7-year re-accreditation from the Liaison Committee for Medical Education, the nationally acknowledged authority for accreditation of educational programs leading to the M.D. degree. The School is a member of the Association of American Medical Colleges and the Associated Medical Schools of New York State. The School is also included within the scope of the accreditation of NYU by the Middle State Commission on Higher Education, effective July 1, 1999.

In addition to its affiliation with the Hospital, the School is affiliated with a number of other healthcare institutions. These affiliations enrich the educational, clinical and research programs of the School (see “Residency and Fellowship Program” below). The major affiliations include:

- Bronx VA, a tertiary care center for veterans in metropolitan New York, which also includes major research facilities;
- Cabrini Medical Center, a teaching hospital serving patients in Mid-Manhattan and the Lower East Side;
- Elmhurst Hospital Center in Queens, a hospital center that is part of New York City Health and Hospitals Corporation (the School provides professional services at Elmhurst Hospital Center pursuant to the HHC Professional Services Agreement (see “Professional Services Agreement,” below));
- Englewood Hospital, a teaching hospital and the largest voluntary acute care facility in Bergen County, New Jersey;
- Jersey City Medical Center, a teaching hospital in Jersey City, New Jersey;
- The Jewish Home and Hospital for the Aged, which includes two large nursing home facilities in Manhattan and the Bronx;
- New York University (the School is affiliated with NYU for degree granting purposes);
- North General Hospital, which provides primary and secondary care services to residents of Central and East Harlem;
- St. Joseph’s Hospital and Medical Center, a medical center located in Paterson, New Jersey, including a Children’s Hospital that is one of four designated children’s hospitals in the State of New Jersey;
- Newark Beth Israel Medical Center, a regional care teaching hospital that is part of the Saint Barnabas Health Care System;
- Maimonides Medical Center, a facility located in Brooklyn, New York, with numerous outpatient clinics, ambulatory care centers, community affiliations and partnerships;
- Queens Hospital Center, a major provider of healthcare services to the Southeast Queens community that is part of the New York City Health and Hospitals Corporation (the School provides the professional services at Queens Hospital Center pursuant to the HHC Professional Services Agreement (see “Professional Services Agreement” below);
- Saint Barnabas Medical Center, New Jersey’s largest integrated healthcare delivery system (two of the system’s teaching hospitals serve as affiliated teaching hospitals of the School);
- Morristown Hospital; and
- Overlook Hospital.

Faculty

As of December 31, 2006, the School had 1,721 full-time faculty members consisting of both M.D.s and Ph.D.s, of which approximately 1,535 are in the clinical sciences department and approximately 186 are in the basic sciences department. In addition, the School currently has approximately 313 salaried, part-time or voluntary faculty members who have admitting privileges at the Hospital.

The size of the faculty provides the School with a favorable faculty to student ratio of 3.5 faculty members for every medical student and 7.8 faculty members for every graduate student.

The following chart shows various levels of the School's faculty for the Fall of the last five years:

Fiscal Year	Full-time Faculty	Part-time Faculty	Total Faculty	Percent of Total Faculty Tenured
2006 - 2007	1,721	313	2,034	11.2%
2005 - 2006	1,754	288	2,042	11.5
2004 - 2005	1,697	252	1,949	12.5
2003 - 2004	1,723	244	1,967	13.3
2002 - 2003	1,741	250	1,991	14.0

Employees

Most employees of the School are not represented by a union. The major exceptions are: (i) a group of 344 physicians, 55 physician assistants and 173 technical staff (constituting 95% of all technical staff) who provide professional services at Elmhurst Hospital Center and Queens Hospital Center (pursuant to the HHC Professional Services Agreement (see "Professional Services Agreement" below)), and (ii) 77 support staff who work on the main School campus in Manhattan (less than 5% of the support staff on the School's main campus). The 344 physicians are represented by the Doctor's Council (pursuant to a Collective Bargaining Agreement that expires on June 30, 2009), and the 55 physician assistants and 173 technical staff are represented by 1199SEIU (pursuant to a Collective Bargaining Agreement that expires on September 30, 2011). The 77 support staff on the main campus are represented by two different unions: 1199SEIU and the New York State Nurses Association. The School has a positive relationship with each of these collective bargaining agents.

The School also purchases services from the Hospital, which has a large percentage of its employees represented by unions. The unions which represent a significant number of employees at the Hospital are 1199SEIU and NYSNA. Other unions at the Hospital include a security guard's union, a pharmacists' union, a physical therapist's union and a real estate maintenance workers' union. The Hospital, to date, has had a satisfactory working relationship with its unions.

The School offers all employees the opportunity to participate in a 403(b) plan. Currently, all employees are eligible to contribute to the plan upon date of hire. Additionally, the School contributes to the 403(b) accounts for faculty and staff in varying amounts based upon the terms of the plan. The plan is funded monthly. To date, the School has made all required contributions to all applicable pension plans and there are no funding deficiencies.

OPERATING INFORMATION

Student Enrollment and Applicants

The number of medical students and graduate doctoral students attending the School for the 2006-2007 academic year is 487 and 221, respectively. The School is highly selective and has a well-qualified student body. Of the 4,273 first year applications received for the 2006-2007 school year, the School accepted 271 and enrolled 120 students. The following table shows enrollment and matriculation for the past five years:

<u>Entry Class</u>	<u>Total Enrollment</u>	<u>Applications Received</u>	<u>Students Accepted</u>	<u>Percentage Accepted</u>	<u>First Year Matriculation</u>
2006	487	4,273	271	6.3	120
2005	477	4,153	227	5.5	120
2004	480	4,213	251	6.0	120
2003	450	4,182	300	7.2	120
2002	426	4,295	286	6.7	105

Candidates for admission to the School must submit letters of recommendation, interview with representatives of the Admissions Committee, take the Medical College Admissions Test (“MCAT”) and report their undergraduate grade point average (“GPA”). For the 2006-2007 academic year, the School attracted students with an overall MCAT average of 11.43 and an undergraduate GPA of 3.69.

As a reflection of the high caliber of the student body, the six undergraduate schools which have provided the most enrollees to the School in the current academic year are: Johns Hopkins University, Cornell University, New York University, Columbia University, Duke University and Harvard College.

All of the students who graduate receive M.D. and/or Ph.D. and/or Masters Degrees.

Residency and Fellowship Program

The School’s residency and fellowship program trains more than 830 residents and fellows in 69 programs approved by the Accreditation Council for Graduate Medical Education. The program is enhanced by the School’s formation and leadership of the Mount Sinai School of Medicine Consortium for Graduate Medical Education (“MSSM” Consortium”). Through the MSSM Consortium, the School is affiliated with members of the Atlantic Health System (Morristown Memorial Hospital and Overlook Hospital), Cabrini Medical Center, Elmhurst Hospital Center, Englewood Hospital and Medical Center, Jamaica Hospital Medical Center, Jersey City Medical Center, Bronx VA, Maimonides Medical Center, North General Hospital, Queens Hospital Center, members of the Saint Barnabas Health Care System (NJ) (St. Barnabas Medical Center and Newark Beth Israel Medical Center), and St. Joseph’s Regional Medical Center. Through the MSSM Consortium, residents and fellows in the graduate medical education program are afforded the opportunity to perform clinical rotations at the institutions with diverse patient bases and different programmatic strengths than the Hospital while trainees from the affiliates are afforded the opportunity to rotate at the Hospital.

Financial Discussion

The School changed its fiscal year from June 30 to December 31 in 2005. The School’s revenues, which totaled \$1.074 billion in the calendar year ended December 31, 2006, are derived from clinical revenues (approximately 33%, of which the Faculty Practice Associates Plan comprised approximately 27% and other clinical revenues comprised approximately 6%), grants and contracts (approximately 21%), the HHC Professional Services Agreement (14%), Clinical/Administrative/Research/Teaching/Strategic (“CARTS”) Support provided by the Hospital (approximately 6%), private gifts and bequests (approximately 13%),

investment earnings (approximately 8%), tuition and related charges (approximately 2%) and other miscellaneous sources (approximately 3%). See “PART 4 - THE INSTITUTION - ANNUAL FINANCIAL STATEMENT INFORMATION - Factors Affecting Financial Performance for the Fiscal Years 2004 - 2006 - Philanthropy and Investments.”

ANNUAL FINANCIAL STATEMENT INFORMATION

The following selected financial data for the years ended December 31, 2006, June 30, 2005 and June 30, 2004 are derived from the audited consolidated financial statements of the School. The financial data for the year ended December 31, 2005 is derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the School considers necessary for a fair presentation of the financial position and the results of operations for these periods. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included in Appendix B herein (dollars in thousands):

	December 31,		June 30,	
	2006	Unaudited 2005	2005	2004
Revenues, gains, support and reclassifications:				
Patient care services	\$ 354,208	\$ 296,906	\$ 278,813	\$ 256,024
New York City Health and Hospitals Corporation	151,512	137,640	134,040	125,991
Private gifts, grants and contracts	72,346	68,253	60,931	70,109
Federal grants and contracts	229,736	209,738	193,937	181,627
Return on long-term investments	58,486	48,682	43,832	37,044
Tuition and fees	18,330	17,071	17,792	16,028
Royalty revenue	19,000	18,940	16,381	4,320
Other support	20,886	14,009	21,320	24,605
The Mount Sinai Hospital CARTS transfer	60,705	56,526	54,729	48,618
	<u>985,209</u>	<u>867,765</u>	<u>821,775</u>	<u>764,366</u>
Net assets released from restrictions	21,759	16,905	17,296	17,644
Total revenues, gains support and reclassifications	<u>1,006,968</u>	<u>884,670</u>	<u>839,071</u>	<u>782,010</u>
Expenses:				
Program Services:				
Patient care services	422,927	381,779	370,365	333,591
Sponsored research	191,655	172,307	160,898	157,714
Basic and clinical sciences	171,655	155,693	150,723	139,058
Scholarships	1,882	4,211	3,504	3,177
Total program services	<u>788,119</u>	<u>713,990</u>	<u>685,490</u>	<u>633,540</u>
Support Services:				
General administration and support services	160,303	158,438	147,745	149,537
Total expenses	<u>948,422</u>	<u>872,428</u>	<u>833,235</u>	<u>783,077</u>
Increase in unrestricted net assets	<u>58,546</u>	<u>12,242</u>	<u>5,836</u>	<u>(1,067)</u>
Changes in temporarily restricted net assets:				
Private gifts, grants and contracts	37,125	39,094	26,420	30,697
Return on long-term investments	26,551	12,566	11,930	14,425
Net assets released from restrictions	(21,759)	(16,905)	(17,296)	(17,644)
Total changes in temporarily restricted net assets	<u>41,917</u>	<u>34,755</u>	<u>21,054</u>	<u>27,478</u>
Changes in permanently restricted net assets:				
Private gifts	25,131	22,831	14,632	2,597
Total changes in permanently restricted net assets	<u>25,131</u>	<u>22,831</u>	<u>14,632</u>	<u>2,597</u>
Increase in net assets	125,594	69,828	41,522	29,008
Net assets at beginning of year	662,356	592,529	570,974	541,966
Net assets at end of year	<u>\$ 787,950</u>	<u>\$ 662,357</u>	<u>\$ 612,496</u>	<u>\$ 570,974</u>

Management's Discussion of Financial Performance

This section includes a discussion of financial performance for 2006 (audited) and 2005 (unaudited) and fiscal years 2005 and 2004, as well as the significant financial initiatives that resulted in financial improvements during the 2004-2006 period.

Years Ended December 31, 2006 (audited) and December 31, 2005 (unaudited)

For the year ended December 31, 2006, based on audited information, the School recorded an increase in net assets of \$125.6 million compared to an increase in net assets of \$69.8 million for the year ended December 31, 2005, based on unaudited information. The \$55.8 million increase in the net operating surplus is primarily attributable to growth in patient care services, growth in federal and nonfederal research operations, favorable investment returns and controlling the growth of operating expenses. The increase in net assets for the year ended December 31, 2006 consists of a \$58.5 million increase in unrestricted net assets, a \$41.9 million increase in temporarily restricted net assets and a \$25.1 million increase in permanently restricted net assets.

For the year ended December 31, 2006, the School recorded total revenues, gains, support and reclassifications of \$1.074 billion consisting of: 33% from patient care services (principally the School's faculty practice); 21% from research activities, including federal and nonfederal direct revenue and indirect cost recovery; 14% from the HHC Professional Services Agreement; 6% from Hospital support; 13% from philanthropic sources; 8% from investment returns; 2% from tuition and fees; and 3% from other sources. As compared to 2005, total revenues, gains, support and reclassifications increased \$131.8 million, principally from increases in Hospital CARTS support of \$4.2 million, investment returns of \$23.8 million, patient care services of \$57.3 million, tuition of \$1.3 million, HHC professional services agreement revenue of \$13.9 million, research revenue of \$20.0 million, other revenue of \$6.9 million and private gifts of \$4.4 million.

Expenses for 2006 totaled \$948.4 million consisting of: 45% in patient care services; 20% in sponsored research; 18% in basic and clinical sciences and scholarships; and 17% in general administration and support services and other charges. As compared with 2005, total expenses increased \$76.0 million or 8.7%. The increases in expenses related to patient care services of \$41.1 million and basic and clinical sciences department and scholarships of \$13.6 million were largely the result of growth in clinical programs, principally the Faculty Practice Association and growth in departmental activities to support expansion in education, research and patient care programs. Research expenses increased by \$19.3 million as a result of growth in sponsored research. The research expenses are reimbursed by the federal and nonfederal sponsors of the research. General administration and support services expenses increased by \$1.9 million.

Fiscal Years Ended June 30, 2005 and June 30, 2004

For the fiscal year ended June 30, 2005, the School recorded an increase in net assets of \$41.5 million compared to an increase in net assets of \$29.0 million for the fiscal year ended June 30, 2004. The \$12.5 million increase in net assets was principally the result of growth in clinical and research programs, growth in royalty and licensing income and better control of operating expenses. The increase in net assets for the year ended June 30, 2005 of \$41.5 million consists of a \$5.8 million increase in unrestricted net assets, a \$21.1 million increase in temporarily restricted net assets and a \$14.6 million increase in permanently restricted net assets.

The School recorded total revenues, gains, support and reclassifications of \$874.8 million for fiscal year 2005, consisting of: 32% from patient care services (principally the School's Faculty Practice Associates Plan); 22% from research activities including federal and non-federal direct revenue and indirect cost recovery, 15% from the HHC Professional Services Agreement; 11% from private gifts; 6% from investment returns; 6% from Hospital support; 2% from tuition and fees; and 6% from other sources. As compared to fiscal year 2004, total revenues, gains, support and reclassifications increased by \$62.7 million, principally as a result of

increases in investment returns of \$4.3 million, direct Hospital support of \$6.1 million, tuition of \$1.8 million, growth in patient care services of \$22.8 million, growth in research of \$11.2 million and affiliation contract revenue of \$8.0 million, offset by a decrease in private gifts of \$0.2 million and other support of \$3.3 million.

Expenses for fiscal year 2005 totaled \$833.2 million, consisting of: 44% in patient care services; 19% in sponsored research; 18% in basic and clinical sciences and department and scholarship activities; and 19% in administrative and academic support services. As compared with fiscal year 2004, total expenses increased \$50.2 million, largely attributable to growth of 11% or \$36.8 million, in patient care services, and increases in expenses related to sponsored research of \$3.2 million, basic and clinical sciences and department expenses of \$11.7 million and a decrease in support services expenses of \$1.8 million.

Research Grants & Contracts

The School is a major health sciences research center. In addition to the School's traditional clinical and basic science departments found in all research centers of this kind, the School also features a number of multidisciplinary centers, including the Brookdale Center for Molecular Biology, the Dr. Arthur M. Fishberg Research Center for Neurobiology, and the Derald H. Ruttenberg Cancer Center. All of these departments and centers involve significant research activities, which are supported by federal and other sources. Recently, the School received major research grants in many areas, including but not limited to the following:

- Environmental medicine
- Medical genetics
- Human genomic studies
- Biomathematics and biophysical design of "smart" drugs
- Research, evaluation, and treatment systems for AIDS
- Drug abuse, research, and management
- Heart attack, strokes, and blood clotting
- Schizophrenia
- Aging malfunction
- Medical scientist training (M.D./Ph.D.)
- Rehabilitation after head and spinal cord trauma
- Neurobiology sciences

The following table summarizes federal and non-federal sponsored research award expenditures over the past five years (dollars in thousands):

		Federal		Non-Federal		Total	
		Amount	% of Tot	Amount	% of Tot	Amount	% of Tot
December	2006	\$ 229,736	83.9%	\$ 44,065	16.1%	\$ 273,801	100.0%
December	2005	208,476	84.4%	38,576	15.6%	247,052	100.0%
June	2005	193,936	83.7%	37,860	16.3%	231,796	100.0%
June	2004	181,625	80.6%	43,659	19.4%	225,284	100.0%
June	2003	161,055	77.7%	46,429	22.3%	207,484	100.0%
		<u>\$ 974,828</u>	<u>82.3%</u>	<u>\$ 210,589</u>	<u>17.7%</u>	<u>\$1,185,417</u>	<u>100.0%</u>

The School also has received recognition for having established the first Department of Geriatrics, the first Department of Biomathematics and first Department of Community Medicine entirely devoted to (and receiving strong research funding in) urban health needs.

Philanthropy

For fiscal year 2006, private gifts and pledges totaled \$90.5 million. The total discounted present value of pledges receivable as of December 31, 2006 was \$86.9 million. The five-year trend in gifts and pledges reflects the significant increase in annual philanthropic support from 2003 to 2006 resulting from

improvements in the School's financial operations and the new programmatic initiatives of Drs. Davis and Charney. The following table summarizes restricted gifts and pledges over the past five years. Private grants and contracts are included in the previous sponsored research table (dollars in thousands):

		<u>Unrestricted Contributions</u>	<u>Temporarily Restricted Contributions</u>	<u>Permanently Restricted Contributions</u>	<u>Total Contributions</u>
Year ended December 31,	2006	\$28,279	\$37,125	\$25,131	\$90,535
Year ended December 31,	2005	30,938	39,094	22,832	92,864
Year ended June 30,	2005	23,070	26,420	14,632	64,122
Year ended June 30,	2004	26,450	30,697	2,597	59,744
Year ended June 30,	2003	8,573	11,119	3,646	23,338

Endowment and Investments

At December 31, 2006, the market value of the School's investments, including endowment funds, totaled approximately \$582.1 million. At December 31, 2006, approximately \$261.0 million was classified as permanently restricted and \$156.1 million was classified as temporarily restricted in accordance with U.S. generally accepted accounting principles. The remaining \$165 million was classified as unrestricted net assets.

Endowment fund net assets are subject to certain restrictions that are set forth in the gift instruments. Permanently restricted net assets include endowment assets that must be held in perpetuity, such as the original dollar value of the gift. Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

The Investments Committee of the Board of Trustees establishes the investment policy and guidelines and is responsible for supervising the investment of the endowment and similar funds. The School has retained various professional investment managers to manage its funds.

The following table shows the value of the School's investments at December 31, 2006, December 31, 2005 and June 30, 2005 (dollars in thousands):

	<u>December 31, 2006</u>		<u>December 31, 2005</u>		<u>June 30, 2005</u>	
	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>
Cash and cash equivalents	\$ 43,080	\$ 43,080	\$ 25,242	\$ 25,242	\$ 56,974	\$ 56,974
Fixed income securities						
Corporate and other	7,750	7,745	1,883	1,897	2,600	2,606
U.S. Government agency obligations, including interpool settlement	1,560	1,565	11,166	11,253	15,131	15,192
Marketable equity securities	-	-	332	334	397	309
Alternative investments						
Hedge funds	93,135	205,663	75,930	158,267	53,430	124,805
Private equity	7,201	24,790	15,370	21,416	12,290	18,336
Other alternative investments	<u>112,751</u>	<u>274,046</u>	<u>127,063</u>	<u>265,935</u>	<u>116,703</u>	<u>238,577</u>
	265,477	556,889	256,986	484,344	257,525	456,799
Investments in other	<u>23,112</u>	<u>25,161</u>	<u>30,456</u>	<u>30,456</u>	<u>39,566</u>	<u>39,566</u>
Total	<u>\$ 288,589</u>	<u>\$ 582,050</u>	<u>\$ 287,442</u>	<u>\$ 514,800</u>	<u>\$ 297,091</u>	<u>\$ 496,365</u>

Property, Plant and Equipment

The following table shows the historical cost and net book value of the School's physical plant for the past five years (dollars in thousands):

	December 31,		June 30,		
	2006	2005	2005	2004	2003
Land	\$ 8,282	\$ 8,282	\$ 8,282	\$ 8,282	\$ 8,282
Buildings and improvements	258,966	240,691	235,993	235,987	241,860
Furniture, fixtures and equipment	139,581	114,947	106,252	84,258	129,997
Leasehold interest and improvements	171,990	171,990	171,990	171,990	171,990
Deferred financing charges, net	<u>5,643</u>	<u>6,530</u>	<u>6,992</u>	<u>7,973</u>	<u>5,754</u>
	584,462	542,440	529,509	508,490	557,883
Less accumulated depreciation and amortization	<u>(283,031)</u>	<u>(249,635)</u>	<u>(232,327)</u>	<u>(200,873)</u>	<u>(254,622)</u>
	301,431	292,805	297,182	307,617	303,261
Capital projects in progress	<u>56,712</u>	<u>36,752</u>	<u>17,391</u>	<u>11,577</u>	<u>22,776</u>
	<u>\$ 358,143</u>	<u>\$ 329,557</u>	<u>\$ 314,573</u>	<u>\$ 319,194</u>	<u>\$ 326,037</u>

Long-Term Debt

Long-term debt of the School at December 31, 2006 consisted of the following (dollars in thousands):

- The Authority's Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2003 payable (including unamortized original issue premium of \$2,261); maturing through 2015 with interest rates varying from 3.25% to 5.25% per annum.	\$61,467
- The Authority's Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994A payable (net of unamortized original issue discount of \$1,640); maturing through 2025 with interest rates varying from 5.00% to 5.15% per annum.	141,464
- The Authority's Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994B payable, maturing through 2012 with interest rates of 5.15% to 5.70% per annum.	26,060
- The Refunded Notes, with variable interest rates (3.05% to 3.55% at December 31, 2006) payable at maturity, not to exceed 12.0% per annum. The Refunded Notes are being refunded with a portion of the proceeds of the Series 2007 Bonds.	22,698
- Authority tax-exempt leasing program loans due in monthly installments of \$111, with interest rates ranging from 4.0% to 4.23% through June 2010.	3,799
- Other capital leases, monthly installments of \$8 through September 2008.	411
	<u>\$255,899</u>

Faculty Practice Associates Plan

To support the School's purposes of education, research and the training of medical professionals, faculty members are encouraged to engage in direct patient care activities. These clinical activities facilitate the recruitment and retention of superior full-time faculty and enrich the training opportunities available to the School's health staff and students. They are essential to the School's clinical research programs and to the promotion of the highest quality patient care.

The Faculty Practice Associates Plan (the "Plan") is in its 34th year of operation. Almost all of the full-time clinical faculty members participate in the Plan. Voluntary members of the faculty are not eligible to participate. Rules and procedures governing participation in the Plan are based on recommendations of the Plan's Advisory Council, subject to approval of the Dean, and are applicable to all participants. As of December 31, 2006, there were 750 participants in the Plan.

During 2006, gross revenues from the Plan provided approximately 27% of the School’s total revenues. Funds generated by the School from these activities are used to support educational research and training programs of the School, including salaries of faculty and staff, along with administrative and other expenses. The Plan has grown both in the number of participants and in gross receipts over the past five years, which the School attributes to enhanced capacity and efficiencies. The following table illustrates this growth (dollars in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts	\$273,833	\$245,643	\$216,831	\$207,070	\$199,595
Total Faculty Members	750	728	706	782	782
Receipts / Faculty	\$ 365	\$ 337	\$ 306	\$ 265	\$ 255

The School has pledged revenues of the Plan to secure the School’s obligations under the Loan Agreement.

The School has also pledged interests in its Plan revenues (the “Prior Pledges”) in connection with loans between the School and the Authority dated, respectively, January 26, 1994 (relating to the Authority’s Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994A and 1994B) and July 23, 2003 (relating to the Authority’s Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2003). The Prior Pledges rank senior to the pledge securing the Series 2007 Bonds.

Professional Services Agreement

The School provides professional services to Elmhurst Hospital Center and Queens Hospital Center, both located in Queens, New York, pursuant to an agreement with the New York City Health and Hospitals Corporation (“HHC Professional Services Agreement”). In accordance with the governing affiliation agreement in effect from July 1, 2007 through June 30, 2009, HHC pays the School for its professional services based on a mix of workload and cost basis. For 2007, the School anticipates that it will receive approximately \$150.9 million pursuant to this agreement.

Factors Affecting Financial Performance for the Fiscal Years 2004 - 2006

The School has experienced favorable financial results for the July 1, 2003 to December 31, 2006 period principally for the following reasons:

Financial Improvement Plan

The School implemented a financial improvement plan during the 2003–2005 period that has provided more than \$77 million of financial benefit to the School’s operations. The benefits from these financial improvement initiatives including; accelerated grant spending, Faculty Practice Association revenue cycle improvements, improved physician compensation plans, incentives for clinical physician productivity and supply chain initiatives are responsible for the majority of the improvement in unrestricted operating results since the beginning of fiscal year 2004.

Philanthropy and Investments

The success of the School’s financial improvement plan has facilitated growth in donor support. Unrestricted, temporarily restricted and permanently restricted donations have increased by \$30.8 million from \$59.7 million in fiscal year 2004 to \$90.5 million in fiscal year 2006. The significant growth in philanthropic

support includes donations of more than \$47 million which the School is using to support faculty recruitment and retention initiatives.

The School's endowment and similar fund investments have benefited from both the generosity of donors and the skill of the Medical Center's Investment Committee. A substantial portion of the School's endowment funds are pooled together with those of the Hospital and the Medical Center for investment purposes pursuant to an investment pool agreement under which the gains and losses of the pool are allocated among the parties in accordance with each party's ownership interest of the pool. The School's share of this \$883 million Medical Center investment pool at December 31, 2006 is \$583 million, reflecting a growth of \$157.4 million since the end of fiscal year 2004. See "Appendix B – Consolidated Financial Statements of Mount Sinai School of Medicine of New York University for the Year Ended December 31, 2006 with Report of Independent Auditors."

Capital Project Funding

Since the beginning of fiscal year 2004, the School has invested \$147.9 million in capital projects and equipment purchases to support education, research and patient care growth initiatives. The School has implemented a weekly capital projects meeting with representatives from the Dean's Office, Finance and Facilities Management to review the merits of proposed capital projects according to business planning criteria and to ensure each project is closely aligned with the School's strategic plan initiatives. The most significant project is the \$30.9 million Atran-Berg renovation to provide four floors of new research space to accommodate the rapid growth in the School's research programs. The School has been able to support the \$147.9 million of capital projects principally from donations, department funds and proceeds from a real estate financing undertaken by MSMC Residential Realty LLC, an entity formed by the School, the Hospital and their affiliates to hold Mount Sinai's residential real estate.

CARTS Budget Model/Financial Oversight

The School implemented a formula-based CARTS budget model in 2003. The CARTS model allocates departmental funding based upon performance. The School enhanced the CARTS model with improved financial reports that evaluate the performance of each department chairman according to financial, operational, quality and compliance indicators. A Financial Improvement Committee oversees corrective actions and ensures they are implemented in a timely fashion when either basic science or clinical departments experience financial problems. All capital projects are subject to a critical review to ensure they add value to education, research and patient care initiatives. Prudent business plans are required for all new recruitments and programmatic initiatives.

Strategic Plan

The School's ability to attract and retain outstanding research faculty has been enhanced by a new strategic plan. Dr. Charney led the School's strategic planning process which emphasizes "focused growth in translational research," and is designed to facilitate "therapeutic breakthroughs." According to the translational model, the School hopes to enhance its biomedical research by building research teams for 21st century science that are characterized by:

- Moderate size,
- Multidisciplinary approach, and
- Intense and frequent interaction with peers.

The faculty has embraced the translational science vision for the School's future as reflected in the strong faculty retention and recruitment results over the past two years.

There is a 10-year plan to identify and recruit research leaders who share the School's strategic vision and goals. These recruitments will be supported by operations, existing pledges and a capital campaign. There are two phases to the recruitment plan. First, between 2007 and 2011, the School intends to recruit as many as 50 additional research and clinical faculty members. These researchers will occupy four floors of recently renovated research space in the Atran-Berg building, as well as the two additional floors in the Atran-Berg building to be renovated as part of the Project and new research space included in the 102nd Street building renovation. The renovation of the two additional Atran-Berg floors and the 102nd Street facility are being financed with a portion of the Series 2007 Bond proceeds. Existing research space to support new recruits will be reallocated from departments that are not achieving the School's research productivity targets.

The research of the new recruits will focus on:

- Integrated clinical research across the life span,
- Specific diseases, and
- Research opportunities appropriate to the available patient population.

Next, the School plans to construct a new translational research facility to support the recruitment of 100-115 new basic science research faculty members, which it hopes to complete by 2012. This research investment will focus on:

- Health Policy, Environmental Medicine and the Epidemiology of serious medical disorders,
- Basic Science leading to therapeutic discoveries, and
- An emphasis on discovery leading to valuable intellectual property and industry partnerships.

To ensure that each new recruitment builds on the School's continuing financial improvement and achieves favorable financial results, all recruitment plans are subject to financial policies that require business plans, adherence to the School's research productivity standards and identified funding sources to support the start-up phase of each program.

THERE CAN BE NO ASSURANCES THAT ACTIONS TAKEN OR PLANNED WILL HAVE THE INTENDED IMPACT ON THE SCHOOL'S PERFORMANCE OR FINANCES.

The Mount Sinai Hospital

As described in "PART 4 – THE INSTITUTION – General," the School and the Hospital have a close relationship that enables them to fulfill their commitment to provide high quality medical education, research and patient care. The Hospital, a tax-exempt New York not-for-profit corporation, was established in 1852 and is a major acute care teaching hospital located on the upper east side of Manhattan. While the Hospital and the School share a close relationship, they are distinct legal entities, each paying its own obligations and operating expenses from its own funds and assets. The Hospital is not in any respect an obligor with respect to the Series 2007 Bonds, nor is the School an obligor with respect to any Hospital debt.

As a tertiary care facility, the Hospital draws patients from surrounding communities, across the country and around the world. The Hospital has a medical staff of approximately 2,000 full-time and voluntary physicians who treat nearly 55,000 inpatients and 400,000 outpatients each year. The Hospital provides a comprehensive range of medical and surgical services. These services include general surgery, vascular surgery, cardiology and cardiothoracic surgery, minimally invasive abdominal surgery, gastroenterology, endocrinology, oncology, neurosurgery, obstetrics and gynecology, adult intensive care, neonatal intensive care, pediatrics, transplant, psychiatry and AIDS care.

In 2003, after several years of financial losses, the Hospital embarked on a multi-year turnaround plan designed to return the Hospital to fiscal strength. The turnaround plan focused on improving top line revenue and reestablishing the traditionally strong relationship between the Hospital and School. By 2005, the

turnaround had been accomplished and the Hospital recorded an operating surplus of \$35.2 million before unusual items and other changes in unrestricted net assets, compared to an operating loss of \$31.4 million in 2004. In 2006, the Hospital recorded an operating surplus of \$51.5 million before unusual items and other changes in unrestricted net assets.

The improvement in overall operating performance was achieved through the implementation of three key initiatives: increased patient volume and acuity, improved managed care reimbursement and enhanced revenue capture and cash collections. Between 2004 and 2006, discharges increased 6.5% and case acuity by 6.7%. The improved operations have had a significant impact on the balance sheet as well. The combined effect of the turnaround initiatives was to increase cash and investments by 120% between 2004 and 2006, from \$271 million to \$596 million.

Hospital management continues to believe that focusing on developing and growing top-line revenue while controlling expenses is the best strategy to maintain its progress and improvement. This strategy of focusing on core revenue growth becomes ever more important as reimbursement from both government and private sources continues to increase at a lower rate than the cost of providing care. In order to further grow its mix of complex, high acuity cases, the Hospital will continue to focus on recruiting key physicians in certain identified areas for growth, such as cardiac, orthopedic and neurosurgical services.

The Hospital is also focusing on increasing the scope and extent of patient services by improving the relationships with its affiliated hospitals and thereby extending its tertiary and quaternary capabilities to those institutions and the patients they serve.

In order to meet the capacity needs generated by the additional volume experienced, the Hospital will continue to focus on reducing its length of stay to create additional capacity. Furthermore, it will explore opportunities to obtain additional space for expansion, including consolidating the clinics into one location at the Series 2007 project site.

The respective Boards of Trustees of the Hospital and School are in the early stages of implementing a strategic plan which includes program growth and service and infrastructure upgrades, including opening more beds and renovating operating rooms. A major capital campaign is expected to be a critical component of the strategic plan.

The Hospital's budget for fiscal year 2007 reflects volume increases, program growth, anticipated Medicare and New York State Medicaid budget cuts, inflationary increases in the cost of malpractice insurance and energy and mandatory union salary and benefit increases. As such, the Hospital is projecting a surplus in fiscal year 2007 of approximately \$13.2 million.

THERE CAN BE NO ASSURANCES THAT ACTIONS TAKEN OR PLANNED WILL HAVE THE INTENDED IMPACT ON THE HOSPITAL'S OR THE SCHOOL'S PERFORMANCE OR FINANCES.

LITIGATION

Professional and general liability claims have been asserted against the School 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 the School's management or counsel or by the respective insurance companies handling such matters. It is the opinion of the management of the School, based on prior experience, that adequate insurance is maintained to pay the costs of all significant professional liability losses which may arise and neither professional liability losses nor the eventual liability from general liability claims, if any, will have a material adverse effect on the financial position of the school or on its ability to make required debt service payments. The School has no other litigation or proceeding or, to its knowledge, threats of litigation or proceedings which would materially adversely affect its operations or financial condition.

PART 5 - THE SERIES 2007 PROJECT

A portion of the proceeds of the Series 2007 Bonds will be used to finance the costs of construction and renovation of and the purchase of equipment for various buildings located on the School campus.

Renovation of 5 East 102nd Street

The renovation project consists of the conversion of the building's 8-story parking garage and office space into a multi-use facility that will support Hospital and School uses. The Hospital uses will include outpatient clinical units consisting of exam rooms, consultation rooms and public spaces; an outpatient physical rehabilitation unit; and imaging and diagnostic facilities for outpatients. The School uses will include a mix of research, dry bench laboratory and office spaces, and space to accommodate the School's growing research programs.

Renovations to Atran Berg Building 6th and 7th Floors

The renovation is the continuation of a major renovation project to provide new wet and dry research laboratory space. The project consists of the demolition and renovation of the remainder of the 6th floor and the 7th floor as wet labs, including the replacement of the HVAC systems.

Renovations to the Annenberg Building

Renovations include: (i) the construction, renovation and equipping of the clinical and research space on several floors to modernize and improve the efficiency of the space; (ii) the renovation of the student labs to accommodate the growth in the medical student class size; and (iii) the renovation of conference rooms and the Dean's office.

Other Capital Improvements

The remaining components of the Series 2007 Project include various capital improvements, renovations, information technology and utility upgrades and equipment purchases.

PART 6 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2007 Bonds will be used, together with other funds of the Institution, to refund the outstanding principal amount of the Authority's Refunded Notes issued on behalf of the Institution. Upon issuance of the Series 2007 Bonds, a portion of such proceeds are expected to be used to acquire noncallable direct obligations of the United States of America (the "Investment Securities"). The balance of such proceeds shall be deposited as cash (the "Cash Deposit") with the Prior Trustee (as defined in the following paragraph).

The Investment Securities and the Cash Deposit will be deposited with the issuing and paying agent (the "Prior Trustee") under the resolution authorizing the issuance of the Refunded Notes (the "Prior Resolution") upon the issuance and delivery of the Series 2007 Bonds, and will be held in trust solely for the payment of the principal of the Refunded Notes and the interest on such Refunded Notes to their respective dates of maturity. At the time of or prior to such deposit, the Authority will give the Prior Trustee irrevocable instructions to apply the proceeds from the Investment Securities together with the Cash Deposit to the payment of the principal of and interest on the Refunded Notes. In the opinion of Bond Counsel, upon making such deposits with the Prior Trustee and the issuance of certain irrevocable instructions to the Prior Trustee, the Refunded Notes will, under the terms of the Prior Resolution, be deemed to have been paid and will no longer be outstanding under the Prior Resolution, and the pledge of the revenues or other moneys and securities pledged to the Refunded Notes and all other rights granted by the Prior Resolution to the Refunded Notes shall be discharged and satisfied.

PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds (exclusive of accrued interest) are as follows:

Sources of Funds

Principal Amount of Series 2007 Bonds.....	\$	120,820,000
Net Original Issue Premium		5,058,625
Other available monies		29,300,000
Total Sources	\$	<u>155,178,625</u>

Uses of Funds

Deposit to refund the Refunded Notes.....	\$	22,806,812
Costs of the Series 2007 Project		116,323,641
Capitalized Interest		2,625,921
Deposit to Debt Service Reserve Fund		9,193,050
Costs of Issuance		2,087,549
Bond Insurance Premium		1,553,000
Underwriters' Discount		<u>588,652</u>
Total Uses.....	\$	<u>155,178,625</u>

PART 8 - THE AUTHORITY

Background, Purposes and Powers

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

On September 1, 1995, the Authority through State legislation (the “Consolidation Act”) succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the “Agency”) and the Facilities Development Corporation (the “Corporation”), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential

health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At June 30, 2007, the Authority had approximately \$33.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2007, the Agency had approximately \$632 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue. The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ _____ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,930,000
Insured Mortgage Programs	6,625,079,927	592,999,927
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>34,635,000</u>
Total Non-Public Programs.....	<u>9,265,549,927</u>	<u>631,564,927</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 631,564,927</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller's responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen's and Firemen's Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where she concentrated

in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr. Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His current term expires on March 31, 2008.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980's. Mr. Ruder is Vice Chairman of the New York State Board of Science, Technology and Academic Research (NYSTAR), and also serves on the board of the Adirondack Council, the Scarsdale United Way, the New York Metro Chapter of the Young Presidents' Organization and PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in

accounting from the University at Buffalo. Mr. Martino's current term expired on August 31, 2007, and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges currently serves as the Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

RICHARD P. MILLS, *Commissioner of Education of the State of New York, Albany; ex-officio.*

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

PAUL E. FRANCIS, *Budget Director for the State of New York, Westchester County; ex-officio.*

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Francis also currently serves as a Senior Advisor to the Governor. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

RICHARD F. DAINES, M.D., *Commissioner of Health, Albany; ex-officio.*

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior litigation attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

MICHAEL T. CORRIGAN is the Deputy Executive Director of the Authority, and assists the Executive Director in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's

Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

JAMES M. GRAY, R.A., is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the “PACB”) has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2007 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 - LEGALITY OF THE SERIES 2007 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2007 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2007 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 - NEGOTIABLE INSTRUMENTS

The Series 2007 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 2007 Bonds.

PART 11 - 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 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986

(the “Code”) and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Series 2007 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2007 Bonds is less than the amount to be paid at maturity of such Series 2007 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 2007 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 2007 Bonds is the first price at which a substantial amount of such maturity of the Series 2007 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 2007 Bonds accrues daily over the term to maturity of such Series 2007 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 2007 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2007 Bonds. Beneficial Owners of the Series 2007 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2007 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007 Bonds is sold to the public.

Series 2007 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 2007 Bonds. The Authority, the Hospital and the Institution have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007 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 2007 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007 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 2007 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007 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 the opinion of Michael G. Macdonald, Esq., Vice President and General Counsel of the Institution, regarding the current qualification of the Institution and the Hospital as organizations described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Series 2007 Bonds as substantially related to the Institution’s and the Hospital’s charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of

qualifications and limitations. Furthermore, Counsel to the Institution and the Hospital cannot give and has not given any opinion or assurance about the future activities of the Institution or the Hospital, 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. Failure of the Institution or the Hospital to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Institution's or Hospital's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2007 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2007 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 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.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2007 Bonds to be subject, directly or indirectly, 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. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2007 Bonds. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses 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 2007 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("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 Hospital or the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the Hospital and the Institution have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2007 Bonds ends with the issuance of the Series 2007 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 2007 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 2007 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 2007 Bonds, and may cause the Authority, the Institution or the Beneficial Owners to incur significant expense.

PART 12 - STATE NOT LIABLE ON THE SERIES 2007 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2007 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 - COVENANT BY THE STATE

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

PART 14 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2007 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 2007 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by Michael G. Macdonald, Esq., its Executive Vice President and General Counsel, and by its Special Counsel, Winston & Strawn LLP. Certain legal matters will be passed upon for the Underwriters by their Counsel, Hawkins Delafield & Wood LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 Bonds or the proceedings and authority under which they are to be issued.

PART 15 - UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2007 Bonds from the Authority at a purchase price of \$125,289,973.45 and to make a public offering of the Series 2007 Bonds at not in excess of such public offering prices or yields stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2007 Bonds if any are purchased.

PART 16 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC ("Rule 15c2-12"), the Institution has undertaken in a written agreement for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each fiscal year of the Institution, commencing with the fiscal year ending June 30, 2007, for filing by DAC with each nationally recognized municipal securities information repository designated by the SEC in accordance with Rule 15c2-12 (each a

“Repository”), and if and when one is established, the New York State Information Depository (the “State Information Depository”), on an annual basis, operating data and financial information of the type hereinafter described which is included in this Official Statement (the “Annual Information”), together with the Institution’s annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in a written agreement for the benefit of the Bondholders, on behalf of and as agent for the Institution, to file such information and financial statements, as promptly as practicable, but no later than three Business Days after receipt of the information by DAC from the Institution, with each such Repository and to the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide to DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 described below (the “Notices”). Upon receipt of Notices from the Authority, DAC will file the Notices with each such Repository or the Municipal Securities Rulemaking Board (the “MSRB”), and with the State Information Depository, in a timely manner. With respect to the Series 2007 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2007 Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine, or liability for failing to determine, whether the Institution or the Authority has complied with the Continuing Disclosure Agreement, and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 4 - THE INSTITUTION” under the headings “GENERAL INFORMATION,” “OPERATING INFORMATION” and “ANNUAL FINANCIAL STATEMENT INFORMATION” relating to: (1) *student enrollment and applicants*, similar to that set forth under the heading, “Student Enrollment and Applicants”; (2) *faculty*, similar to that set forth under the heading, “Faculty”; (3) *faculty practice associates plan*, similar to that set forth under the heading, “Faculty Practice Associates Plan”; (4) *employee relations*, including material information about union contracts and, unless such information is included in the audited financial statements of the Institution, retirement plans; (5) *endowment and similar funds*, unless such information is included in the audited financial statements of the Institution; (6) *plant values*, unless such information is included in the audited financial statements of the Institution; and (7) *outstanding long-term indebtedness*, unless such information is included in the audited financial statements of the Institution; together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events with respect to the Series 2007 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds; (7) modifications

to the rights of holders of the Series 2007 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007 Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of DAC, the Institution and/or the Authority, and no person, including any Holder of the Series 2007 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder by any Holder of Outstanding Series 2007 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2007 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2007 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2007 Bonds at the time Outstanding. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the Series 2007 Resolution or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2007 Bonds will be on file at the principal office of the Authority.

PART 17 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007 Resolution, the Loan Agreement and the MBIA Insurance Corporation Insurance Policy are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2007 Bonds are fully set forth in the Resolution and the Series 2007 Resolution. Neither any advertisement of the Series 2007 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2007 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 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.

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APPENDIX A

DEFINITIONS

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CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Resolution, the Series 2007 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 the Laws of New York 1973, as amended.

Additional Bonds means any other Series of Bonds issued under the Resolution subsequent to the issuance of the Series 2007 Bonds.

Additional Parity Indebtedness means Indebtedness issued or incurred by the Institution that is secured by a pledge and grant of a security interest in the Pledged Revenues, on a parity with the Bonds.

Arbitrage Rebate Fund means the fund so designated and established by a 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 anybody, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority.

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project, as more particularly described in the Loan Agreement.

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

Authorized Officer means (i) in the case of the Authority, the Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the General Counsel, the Chief Information Officer and a Managing Director, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized to perform any act or sign any document by or pursuant to a resolution of the Institution's Board of Trustees or its Executive Committee or the by-laws of the Institution; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Banking Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Bond or *Bonds* means the Series 2007 Bonds and any other Series of Bonds of the Authority authorized by the Resolution and issued pursuant to a Series Resolution.

Bond Counsel means an attorney or other law firm appointed by the Authority with respect to a 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 an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under a Series Resolution.

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

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

Business Day means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; *provided, however*, that, with respect to Option Bonds, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the Liquidity Facility Provider for such Bonds are legally authorized to close in The City of New York.

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

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

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

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of a Bond or Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, a Liquidity Facility, an Interest Rate Exchange Agreement or a Remarketing Agent, 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 costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, 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 a Project, (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 a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, testborings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and

installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant to the Resolution or to the Loan Agreement, a Mortgage, a Liquidity Facility or a Remarketing Agreement.

Debt Service means the sum of scheduled principal payments and sinking fund payments with respect to Indebtedness, interest requirements (other than interest paid from capitalized interest funds) on all Indebtedness and any annual or ongoing fees on all Indebtedness, during the twelve-month period ending on the date of calculation.

Debt Service Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means a reserve fund for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds so designated, created and established by the Authority by or pursuant to a Series Resolution.

Debt Service Reserve Fund Requirement means, as of any particular date of computation, which date of computation shall be subsequent to July 1 of each calendar year, an amount equal to the lesser of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on the Series 2007 Bonds payable during such calendar year, and the principal and Sinking Fund Installments, if any, of the Series 2007 Bonds payable on July 1 of such calendar year, excluding interest accruing on the Series 2007 Bonds from the dated date of the Series 2007 Bonds to the January 1 or July 1 immediately preceding the first interest payment date, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of the Series 2007 Bonds, and (iii) an amount equal to one hundred twenty five percent (125%) of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on the Series 2007 Bonds.

Defeasance Security means any of the following: (a) Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations; (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation; provided, however, that such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

Derivative Agreement means, without limitation, any agreement entered into in connection with the incurrence of Indebtedness or the anticipated incurrence of Indebtedness and which does not exceed the par amount of such Indebtedness and which includes (i) any contract known or referred to as or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) 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 (v) any other type of contract or arrangement that the Institution 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, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

Derivative Agreement Counterparty means with respect to a Derivative Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Institution.

Derivative Obligation means the Institution's obligation under a Derivative Agreement to make scheduled or periodic payments to the Derivative Agreement Counterparty, but such term does not include any payment required to be made as a consequence of the termination of a Derivative Agreement.

Exempt Obligation means any of the following: (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical rating services; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

Facility Provider means the issuer of any Reserve Fund Facility, Insurance Policy or Liquidity Facility.

Faculty Practice Plan Revenues means all moneys, income, rents and revenues receivable by the Institution from the fees charged for professional services rendered to patients by members of the Institution's faculty who participate in the Institution's Faculty Practice Associates Plan or any successor or alternative arrangement thereto, and the right to receive the same and the proceeds thereof.

Federal Agency Obligation means any of the following: (i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

Government Obligation means any of the following: (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the

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

Indebtedness means (i) all indebtedness of the Institution for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the Institution, and (iii) all Guaranties, whether constituting Long-Term Debt or Short-Term Indebtedness.

Institution means Mount Sinai School of Medicine of New York University, a educational institution of higher education chartered under the laws of the State, or any successor thereto.

Insurer means, with respect to a Series of Bonds, the firm, association or corporation, including public bodies and governmental agencies, if any, acceptable to the Authority, which has issued an Insurance Policy in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such policy.

Insurance Policy means, with respect to a Series of Bonds, a financial guaranty insurance policy issued at the request of the Authority by an Insurer, if any, insuring the payment when regularly scheduled to be due of the principal and Sinking Fund Installments of and interest on such Series of Bonds, together with any insurance agreement.

Intercreditor Agreement means the agreement, if any, among the Authority, the Institution, the Trustee and any holder of Additional Parity Indebtedness, and any amendments thereto reasonably necessary to reflect the incurrence of Additional Parity Indebtedness and the rights of each creditor with respect thereto.

Interest Rate Exchange Agreement means an agreement entered into by the Authority or the Institution in connection with the issuance of or which relates to Bonds of one or more Series which (i) provides that during the term of such agreement the Authority or the Institution is to pay to the Counterparty an amount based on the interest accruing at a fixed rate per annum on an amount equal to a principal amount of such Bonds and that the Counterparty is to pay to the Authority or the Institution an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement and (ii) in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on such Bonds from gross income for the purposes of federal income taxation.

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

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, 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 and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, 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, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of a Series Resolution authorizing such Bonds or a Bond Series Certificate relating to such Bonds.

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

Loan Agreement means the Loan Agreement, dated as of June 27, 2007, by and between the Authority and the Institution in connection with the issuance of Bonds, as the same shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

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

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that shall be the minimum rate at which such Bond may bear interest at any time.

Mortgage means a mortgage granted by the Institution to the Authority in connection with the issuance of a Series of Bonds, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property mortgaged in connection therewith as security for the performance of the Institution's obligations under the Loan Agreement with respect to such Series of Bonds, as such Mortgage may be amended or modified from time to time with the consent of the Authority.

Mortgaged Property means the land or interest therein described in each Mortgage, together with the buildings and improvements thereon or hereafter erected thereon and the furnishings and equipment owned by the Institution located thereon or therein as may be specifically identified in a Mortgage.

Option Bond means any Bond which by its terms may be or is required to be tendered by the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under any applicable Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and
- (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

Paying Agent means, with respect to a 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 a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Best's Insurance Guide or a nationally recognized statistical rating service in the highest rating category.

Permitted Encumbrances means when used in connection with the Project any of the following: (i) the lien of taxes and assessments which are not delinquent; (ii) the lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited; (iii) minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held; (iv) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held; (v) any Mortgage; (vi) security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings; (vii) Additional Parity Indebtedness or Additional Bonds; (viii) with respect to the pledge of the Pledged Revenues, the Intercreditor Agreement; and (ix) such other encumbrances, defects, and irregularities to which the prior written consent of the Authority have been obtained.

Permitted Investments means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral; and (vi) Investment Agreements that are fully collateralized by Permitted Collateral.

Pledged Revenues means (i) the Faculty Practice Plan Revenues which are being pledged in connection with the issuance of the Bonds to secure the Institution's obligations under the Loan Agreement and (ii) any other moneys, income, rents, revenues or accounts, the rights to receive the same, and the proceeds thereof subsequently pledged to the Authority in connection with the issuance of a Series of Bonds.

Prior Pledges means, (i) when used in connection with the Faculty Practice Plan Revenues, the lien of the pledge thereof made to secure the Institution's obligations under (A) the loan agreement, dated as of January 26, 1994, by and between the Authority and the Institution relating to the Authority's Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994A and 1994B and (B) the loan agreement, dated as of July 23, 2003, by and between the Authority and the Institution relating to the Authority's Mount Sinai School of Medicine Insured Revenue Bonds, Series 2003; and (ii) when used in connection with any other Pledged Revenues, any lien, charge or encumbrance thereon, pledge thereof or security interest therein existing on such Pledged Revenues on the date pledged by the Institution as Pledged Revenues.

Project means with respect to the Series 2007 Bonds, the Series 2007 Project, and with respect to any other Series of Bonds, each "dormitory" as defined in the Act, which may include more than one part, financed

in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in a Loan Agreement or a Series Resolution. The Project may be amended from time to time in connection with the issuance of Additional Bonds.

Provider Payments means the amount, certified by a Facility Provider to the Trustee, payable to such Facility Provider on account of amounts advanced by it under a Reserve Fund Facility, Liquidity Facility or Insurance Policy including interest on amounts advanced and fees and charges with respect thereto.

Qualified Financial Institution means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000: (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; *provided, however*, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service of Outstanding Bonds of a Series; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; *provided, however*, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds of a Series; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; *provided, however*, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds of a Series; (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or (v) a corporation whose obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Services, in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

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

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

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

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds.

Remarketing Agreement means, with respect to Option Bonds of a Series, an agreement either between the Authority and the Remarketing Agent, or among the Authority, the Institution and the Remarketing Agent, relating to the remarketing of such Bonds.

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

Resolution means the Mount Sinai School of Medicine of New York University Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority which pursuant to the applicable Loan Agreement or the Intercreditor Agreement are required 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), and all amounts received as a consequence of the enforcement of such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues for such Series of Bonds.

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

Series means all of the Bonds authenticated and delivered on original issuance and pursuant hereto and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, 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 with respect to the Series 2007 Bonds, the Series 2007 Resolution and with respect to any other Series of Bonds, a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2007 Resolution means the Dormitory Authority of State of New York Series 2007 Resolution Authorizing up to \$141,000,000 Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007.

Series 2007 Project means the project in connection with which the Series 2007 Bonds are being issued.

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation, when used with respect to any Bonds of such Series, other than Option Bonds or Variable Interest Rate Bonds, so

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

Standby Purchase Agreement means, with respect to Option Bonds of a Series, an agreement by and between the Authority and another person or by and among the Authority, the Institution and another person, pursuant to which such person is obligated to purchase an Option Bond tendered for purchase.

State means the State of New York.

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

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

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to the Resolution and a Series 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 of the Resolution.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds and which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times; *provided, however*, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case, as provided in such Series Resolution or Bond Series Certificate or (ii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate; *provided, further*, that such Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond of a Series which bears a Variable Interest Rate; *provided, however*, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

**CONSOLIDATED FINANCIAL STATEMENTS OF
MOUNT SINAI SCHOOL OF MEDICINE
OF NEW YORK UNIVERSITY
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH REPORT OF INDEPENDENT AUDITORS**

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CONSOLIDATED FINANCIAL STATEMENTS

Mount Sinai School of Medicine of New York University

Year Ended December 31, 2006

with Report of Independent Auditors

Mount Sinai School of Medicine of New York University

Consolidated Financial Statements

Year Ended December 31, 2006

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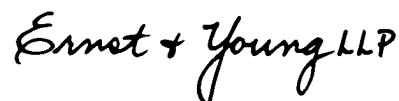
Report of Independent Auditors

Board of Trustees
Mount Sinai School of Medicine
of New York University

We have audited the accompanying consolidated statement of financial position of the Mount Sinai School of Medicine of New York University (the “School”) as of December 31, 2006, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Mount Sinai School of Medicine of New York University at December 31, 2006, and the results of its consolidated operations and changes in its consolidated net assets and its consolidated cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



March 30, 2007

Mount Sinai School of Medicine of New York University

Consolidated Statement of Financial Position

December 31, 2006

(in thousands)

Assets

Cash and cash equivalents	\$ 38,569
Loans receivable:	
Employees, net of allowance for uncollectible accounts of \$277	13,930
Students	15,131
Pledges receivable, net	86,864
Patient accounts receivable, less allowances for uncollectibles of \$6,415	22,081
Other assets	13,497
Due from New York City Health and Hospitals Corporation	6,869
Due from related organizations, net	14,226
Assets limited as to use under debt financing arrangements	33,497
Investments, including permanently restricted investments of \$261,018	582,050
Property, plant and equipment—net	358,143
Total assets	<u>\$ 1,184,857</u>

Liabilities and net assets

Accounts payable and accrued expenses	\$ 41,807
Deferred revenue and refundable advances	41,132
Accrued salaries, wages and related liabilities	25,552
Accrued interest payable	5,701
Federal loan capital advances	4,773
Employee relocation loan program	9,942
Postretirement health benefit obligations	12,101
Long-term debt	255,899
Total liabilities	<u>396,907</u>

Commitments and contingencies

Net assets:

Unrestricted	249,048
Temporarily restricted	251,997
Permanently restricted	286,905
Total net assets	<u>787,950</u>
Total liabilities and net assets	<u>\$ 1,184,857</u>

See accompanying notes.

Mount Sinai School of Medicine of New York University

Consolidated Statement of Activities

Year Ended December 31, 2006

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, support and reclassifications:				
Net patient care services	\$ 354,208			\$ 354,208
Federal grants and contracts	229,736			229,736
Private gifts, grants and contracts	72,346	\$ 37,125	\$ 25,131	134,602
New York City Health and Hospitals Corporation	151,512			151,512
The Mount Sinai Hospital CARTS transfer	60,705			60,705
Return on long-term investments	58,486	26,551		85,037
Royalty revenue	19,000			19,000
Tuition and fees	18,330			18,330
Other support	20,886			20,886
	985,209	63,676	25,131	1,074,016
Net assets released from restrictions	21,759	(21,759)	–	–
Total revenue, gains, support and reclassifications	1,006,968	41,917	25,131	1,074,016
Expenses:				
Program services:				
Patient care services	422,927			422,927
Sponsored research	191,655			191,655
Basic and clinical sciences	171,655			171,655
Scholarships	1,882			1,882
Total program services	788,119			788,119
Support services (management and general):				
General administration and support services	160,303			160,303
Total expenses	948,422			948,422
Increase in net assets	58,546	41,917	25,131	125,594
Net assets at beginning of year	190,502	210,080	261,774	662,356
Net assets at end of year	\$ 249,048	\$ 251,997	\$ 286,905	\$ 787,950

See accompanying notes.

Mount Sinai School of Medicine of New York University

Consolidated Statement of Cash Flows

Year Ended December 31, 2006

(in thousands)

Cash flows from operating activities	
Increase in net assets	\$125,594
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	33,571
Amortization of bond discount and premium, net	(323)
Contributions to permanently restricted net assets	(25,131)
Change in net unrealized gains and losses on investments	(55,136)
Changes in operating assets and liabilities:	
Pledges receivable	(8,924)
Patient accounts receivable, net	(22,081)
Due from related organizations, net	(6,147)
Accounts payable and accrued expenses	5,024
Accrued salaries, wages and related liabilities	8,816
Employee relocation loan program	(984)
Net change in other operating assets and liabilities	10,693
Net cash provided by operating activities	<u>64,972</u>
Cash flows from investing activities	
Net decrease in loans receivable	153
Investments in fixed assets and projects in process	(62,157)
Net increase in investments	(12,114)
Decrease in assets limited as to use under debt financing arrangements	1,642
Net cash used in investing activities	<u>(72,476)</u>
Cash flows from financing activities	
Contributions to permanently restricted net assets	25,131
Principal payments on long-term debt and capital lease obligations	(11,743)
Decrease in federal loan capital advances	(130)
Net cash provided by financing activities	<u>13,258</u>
Net increase in cash and cash equivalents	5,754
Cash and cash equivalents at beginning of period	32,815
Cash and cash equivalents at end of period	<u><u>\$ 38,569</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u><u>\$ 13,291</u></u>

See accompanying notes.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements

December 31, 2006

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Mount Sinai School of Medicine of New York University (the “School”) is a teaching and research institution that educates physicians, biomedical scientists and medical students for careers in the practice of medicine, the delivery of health care and the pursuit of medical research. It grants both MD and Ph.D degrees. The School has an academic affiliation arrangement with New York University. The School is closely affiliated with The Mount Sinai Hospital (the “Hospital”) and its affiliates, although the School is managed separately and is a separate legal entity. The School and the Hospital share a four-block area campus on the Upper East Side of Manhattan. The accompanying consolidated financial statements include only the accounts of the School, International Longevity Center-USA, Ltd. (“ILC”) formed in 1998 and Mount Sinai Children’s Center Foundation, Inc. (“CCF”) formed in 1989. Both entities are not-for-profit organizations and the School is the sole member of each.

Related Organizations

Transactions between the School and its related organizations, relating principally to the sharing of certain facilities, equipment and personnel are accounted for on the basis of allocated cost. Amounts due to or from related organizations are currently receivable or payable and do not bear interest (see Note 5). All transactions and balances with ILC and CCF have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material impact on the School’s financial position.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Cash Equivalents

The School considers highly liquid financial instruments purchased with a maturity of three months or less, excluding those held in its long-term investment portfolio and assets limited as to use under debt financing arrangements, to be cash equivalents.

Patient Accounts Receivable/Allowance for Uncollectibles

Patient accounts receivable result from the health care services provided by the School's faculty practices. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third party payor programs.

The School grants credit without collateral to its patients, most of whom are insured under third party agreements. The significant concentrations of accounts receivable for services to patients include 22% from Medicare, 20% from Medicaid, 44% from managed care companies, 6% from commercial insurance carriers and 8% from others at December 31, 2006.

Approximately 44% of the School's net patient care service revenue was from Medicare and Medicaid programs in 2006.

Assets Limited as to Use Under Debt Financing Arrangements

Assets limited as to use under debt financing arrangements are invested in marketable securities and are carried at fair value (quoted market value). Income from assets limited as to use is recognized in the accompanying consolidated statement of activities with return on long-term investments.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Investments

The majority of the School's investments, with the exception of real estate-related amounts due from or invested in affiliate (see Note 6) and approximately \$16.5 million at December 31, 2006, that are separately invested funds, are in a pooled investment portfolio maintained for the benefit of the Hospital, The Mount Sinai Medical Center, Inc. (the "Medical Center") and the School.

Marketable Securities and Alternative Investments: Marketable securities are valued at fair value (quoted market value). Alternative investments (nontraditional, not-readily-marketable asset classes), some of which are structured such that the School holds limited partnership interests, are stated at fair value as estimated in an unquoted market. Individual investment holdings of the School may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments and, therefore, the School's holdings may be determined by the investment manager or general partner. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the School to securities lending, short sales of securities, and trading in futures and forward contracts, options and other derivative products. The financial statements of the investees are audited annually by independent auditors.

As of December 31, 2006, under the terms of various agreements, the School has commitments to contribute approximately \$32.3 million in additional capital to alternative investees over the next two to five years.

The School's principal investment custodian, Custodial Trust Company, maintains a securities lending program in which the School participates. Collateral is held at all times in excess of the value of the securities on loan. Investment of this collateral is in accordance with specified guidelines. Interest earned on these transactions is included with investment income in the consolidated statements of activities. The fair value of securities on loan at December 31, 2006 was approximately \$12.4 million.

Other Investments: The carrying amount reported in the accompanying consolidated statement of financial position approximates fair value.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Investment Income

Investment income is allocated to investment pool participants using the market value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually and is based on total return. Realized gains and losses from the sale of securities are computed using the average cost method. The School also recognizes investment income (realized and unrealized) pertaining to investments held by the Medical Center on its behalf.

Property, Plant and Equipment

Property, plant and equipment including leasehold improvements are carried at cost; those acquired through contributions are carried at 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 and amortization are made based upon the straight-line method over the estimated useful life of the assets ranging from 5 to 50 years. Fixed assets are written off when they are fully depreciated and no longer in use. Depreciation expense for the year ended December 31, 2006 was \$33.5 million.

The School has entered into long-term leases with the Hospital relating to the portion of the Hospital-owned Annenberg and Guggenheim buildings used by the School. Under the leases, the School makes payments for its share of the buildings' operating expenses.

Deferred Financing Charges

Deferred financing charges, included within property, plant and equipment in the accompanying consolidated statement of financial position, represent costs incurred to obtain financing for construction and renovation projects at the School. Amortization of these costs is provided using the effective interest method over the remaining term of the applicable indebtedness. See Note 8 for additional information relative to debt-related matters.

Asset Retirement Obligation

The School accounts for asset retirement obligations in accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 143, Accounting for Asset Retirement Obligations, and Financial Accounting Standards Board Interpretation No. 47,

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Accounting for Conditional Asset Retirement Obligations (“FIN 47”). Under SFAS No. 143 and FIN 47, the School estimates amounts necessary for asset retirement obligations. The asset retirement obligation recorded at December 31, 2006 totaled approximately \$2.3 million.

Revenue Recognition

The School records grants and earned revenues on an accrual basis. In addition, the School records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give (pledges) and other assets. Conditional contributions, including grants for sponsored research, are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are recorded net of estimated uncollectible amounts and promises to give that are due in future years are discounted to present value.

Contributions are reported as either temporarily or permanently restricted if they are received with donor-imposed 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 in the accompanying consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions, including grants for sponsored research, whose restrictions and conditions are met within the same year as the contributions are received, are reflected in the activities of the unrestricted net asset class.

Unrestricted Net Asset Activities

In the accompanying consolidated statement of activities, the unrestricted net asset class includes the School’s operations, the School’s faculty practice plan (see Note 2), affiliation agreements with the New York City Health and Hospitals Corporation (see Note 4), sponsored research and other departmental activities, unrestricted philanthropy, unrestricted investments, property, plant and equipment acquisitions and carrying costs (plant net assets) and the activities of ILC.

Plant net assets include gifts and investment income earned on unexpended balances for capital projects which are currently under construction and transfers from other operations to fund the debt service requirements for outstanding debt. The School follows the policy of lifting the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when construction of the long-lived assets begins or they are acquired.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the School 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 School in perpetuity. Income earned therefrom is unrestricted or temporarily restricted based upon donors' stipulations.

Tax Status

The School, ILC and CCF are Section 501(c)(3) organizations exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The School, ILC and CCF are also exempt from New York State and City income taxes.

2. Faculty Practice Revenue

Full-time faculty members may participate in the School's faculty practice plan. Plan participants are authorized to conduct a private practice and engage in professional consultation in accordance with established institutional guidelines. Professional service fee receipts are recorded and deposited in private practice funds established by the School for each individual participant or group practice when received by the School. Portions of these receipts are used to support School activities and to reimburse the School for indirect costs incurred in supporting plan activities. The remaining amounts, after direct plan expenses, provide participant salary supplements and support School departmental activities. The School participates in the Hospital's professional and general liability insurance programs.

A similar arrangement exists for School physicians at Elmhurst and Queens. These receipts are used to support certain services previously funded under agreements with HHC, provide salary supplements for physicians and support the School's departmental activities at Elmhurst and Queens.

The School's faculty practice plan has agreements with third party payors that provide for payments to the plan. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and fee-for-service. Net patient care service revenue is reported at the estimated net realizable amounts from patients, third party payors, and other for services rendered.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

2. Faculty Practice Revenue (continues)

The current Medicaid, Medicare and other third-party payor programs in which the School and its faculty participate are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusions from such programs. The School is not aware of any allegations of noncompliance that could have a material adverse effect on the consolidated financial statements and believes that it is in compliance with all applicable laws and regulations.

3. Pledges Receivable

Pledges receivable as of December 31, 2006, representing unconditional promises to give to the School, recorded net of a present value discount and valuation allowance, consist of the following (in thousands):

Temporarily restricted	\$ 79,701
Permanently restricted	<u>32,051</u>
Unconditional promises to give before discount to present value and valuation allowance	111,752
Less present value discount and valuation allowance	<u>(24,888)</u>
Net pledges receivable	<u>\$ 86,864</u>

Pledges receivable are due to be collected over the following (in thousands):

Within one year	\$ 14,797
One to five years	68,448
More than five years	<u>3,619</u>
Total pledges receivable	<u>\$ 86,864</u>

4. Agreements with the New York City Health and Hospitals Corporation

Pursuant to various agreements with the New York City Health and Hospitals Corporation (“HHC”), the School provides professional, medical and other services for the operations of the Elmhurst Hospital Center (“Elmhurst”) and Queens Hospital Center (“Queens”). For certain services provided under the agreements, the School is paid on a fee-for-service basis and for other services the School is reimbursed for costs incurred, plus overhead, but not in excess of amounts specified in the agreements. Certain other costs are funded by the operations of faculty practice group arrangements at Elmhurst and Queens, which are independent of other School programs, under a letter of understanding with HHC.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

4. Agreements with the New York City Health and Hospitals Corporation (continued)

The agreements with HHC do not permit the accrual of vacation and retirement benefits. The School would be liable for such benefits only upon termination of the agreements; however, the School's liability would be limited upon termination of the agreements to amounts due based on benefits policies in effect at that time. No liability for such benefits has been recorded by the School.

The School's arrangements with HHC are subject to final settlements based on future audits; however, the School anticipates that the effects of future final settlements will not be material.

5. Due from (to) Related Organizations

Amounts due from (to) the School's related organizations as of December 31, 2006 consisted of the following (in thousands):

The Mount Sinai Medical Center, Inc.	\$ 6,741
MSMC Realty Corporation (see Note 15)	10,316
The Mount Sinai Hospital	<u>(2,831)</u>
Due from related organizations, net	<u>\$ 14,226</u>

Transactions charged (at cost) by the Hospital to the School totaling approximately \$600.9 million during the year ended December 31, 2006 include payroll and benefits, approximately 84%, related to various shared administrative services. Included in the benefits charges are certain employee health plan claims and premiums which are paid by the Hospital and subsequently charged to the School. Accordingly, the Hospital recognizes an actuarially determined liability for unreported health claims on behalf of the School. These claims are recorded as expenses in the School's consolidated statement of activities.

Beginning July 1, 2002, the School implemented a budget model pursuant to which the Hospital pays the School's clinical departments for services rendered according to the CARTS budget model ("C"—clinical, "A"—administrative, "R"—research, "T"—teaching, "S"—strategic). These revenues are included in the accompanying consolidated statement of activities as The Mount Sinai Hospital CARTS Transfer.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

6. Investments

Total investments for the School as of December 31, 2006 are maintained as follows (in thousands):

Pooled investments	\$556,889
Non-pooled investments	16,453
Interest in MSMC Residential Realty LLC, net	8,708
	<u>582,050</u>

The following tables summarize the composition of the investment pool as of December 31, 2006, at carrying value, along with investment amounts that have been specifically allocated for financial reporting purposes to the pool participants (in thousands):

	<u>School</u>	<u>Hospital</u>	<u>MSMC Realty Corporation</u>	<u>Mount Sinai Auxiliary Board</u>	<u>Medical Center</u>	<u>Total</u>
Cash and cash equivalents	\$ 43,080	\$ 3,874	\$ 190	\$ –	\$ 2,128	\$ 49,272
Fixed income securities:						
Corporate and other	7,745	19,034	–	\$ 1,995	–	28,774
U.S. Government agency obligations	2,438	6,065	10,146	627	–	19,276
Marketable equity securities	–	114,796	–	–	–	114,796
Alternative investments:						
Hedge funds	205,663	70,562	–	–	–	276,225
Private equity	24,790	–	–	–	3,875	28,665
Other alternative investments	274,046	81,610	–	–	14,519	370,175
	<u>557,762</u>	<u>295,941</u>	<u>10,336</u>	<u>2,622</u>	<u>20,522</u>	<u>887,183</u>
Interpool settlement	(873)	(851)	–	542	1,182	–
Total	<u>\$ 556,889</u>	<u>\$ 295,090</u>	<u>\$ 10,336</u>	<u>\$ 3,164</u>	<u>\$ 21,704</u>	<u>\$ 887,183</u>

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

Investments recorded by the School as of December 31, 2006 consist of the following (in thousands):

	Cost	Carrying Value
Cash and cash equivalents	\$ 43,080	\$ 43,080
Fixed income securities:		
Corporate and other	7,750	7,745
U.S. Government agency obligations, including interpool settlement net payable of \$873	1,560	1,565
Alternative investments:		
Hedge funds	93,135	205,663
Private equity	7,201	24,790
Other alternative investments	112,751	274,046
	<u>265,477</u>	<u>556,889</u>
Other investments	23,112	25,161
Total	<u>\$ 288,589</u>	<u>\$ 582,050</u>

Investment returns that were allocated to the School based on agreements among the pool participants and donor stipulations comprise the following for the year ended December 31, 2006 (in thousands):

Interest and dividend income	\$ 6,634
Net realized gains	22,640
Change in net unrealized gains and losses	55,136
Total	<u>\$ 84,410</u>

Total investment returns are comprised of the following for the year ended December 31, 2006 (in thousands):

Interest and dividend income	\$ 7,261
Net realized gains	22,640
Change in net unrealized gains and losses	55,136
Total	<u>\$ 85,037</u>

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

During 2003, as part of a financing transaction with the Hospital and MSMC Realty Corporation (“Realty Corp.”), the School contributed to MSMC Residential Realty LLC (“MSMCRRC”), at net book value, property totaling approximately \$55.8 million. MSMCRRC was incorporated in 2003 under the New York State Not-for-Profit Corporation Law for the sole purpose of supporting its member corporations by managing, maintaining, holding, developing, acquiring or disposing of real property for their benefit. MSMCRRC’s members are the Hospital, the School, Realty Corp. and MSMC Residential Realty Manager, Inc.

Property and equipment contributed by the Hospital, the School and Realty Corp. were utilized by MSMCRRC to secure \$125.0 million in financing from a bank which was subsequently increased to \$145.0 million as part of a refinancing during 2005. The total amount received by the School approximately \$34.4 million, was based on the relative fair value of the property contributed, as compared to properties contributed by the Hospital and Realty Corp. that were part of the \$125.0 million financing. Additionally, the School has an interest in the fair value of the net assets of MSMCRRC of approximately \$21.4 million, representing the excess of the carrying value of the property contributed over the amounts received.

During 2006, the School received the remaining balance of the amount initially recorded as receivable, and received additional amounts totaling \$12.7 million through December 31, 2006. This additional funding was made available to the School from MSMCRRC through the refinancing in 2005. The School has recorded this amount as a reduction against its interest in MSMCRRC at December 31, 2006.

Total assets and liabilities, at book value, of MSMCRRC at December 31, 2006 are as follows (in thousands):

Total assets	\$ 130,419
Total liabilities	155,667
Net deficit	<u>\$ (25,248)</u>

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

7. Property, Plant and Equipment

A summary of property, plant and equipment at December 31, 2006 is as follows (in thousands):

Land	\$ 8,282
Buildings and improvements	258,966
Furniture, fixtures and equipment	139,581
Leasehold interest and improvements	171,990
Deferred financing charges, net	5,643
	<u>584,462</u>
Less accumulated depreciation and amortization	<u>(283,031)</u>
	301,431
Capital projects in progress	56,712
	<u>\$ 358,143</u>

The School has entered into a lease agreement with the Hospital relating to a portion of the School-owned Icahn Medical Institute that is used by the Hospital. The School has reflected the amount paid by the Hospital related to its leasehold interest (\$11.8 million) as a reduction of buildings. Additionally, the Hospital pays the School for its share of operating expenses under the terms of the lease agreement (approximately \$5.6 million for the year ended December 31, 2006). Future minimum rental payments due from the Hospital under the lease are approximately \$5.3 million in 2007, \$5.3 million in 2008, \$5.3 million in 2009, \$5.3 million in 2010, \$5.2 million in 2011 and \$44.6 million thereafter. Assets under capital leases approximately \$5.6 million (\$4.7 million net of accumulated amortization) at December 31, 2006, and are included in furniture, fixtures and equipment.

The School capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. At December 31, 2006, total capitalized costs of \$10.0 million are included in furniture, fixtures and equipment.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt and Related Assets

At December 31, 2006, the School had outstanding long-term debt used to finance a variety of projects, including a modernization and capital improvement program, and the construction of the Icahn Medical Institute. Outstanding long-term debt at December 31, 2006 comprised the following (in thousands):

Dormitory Authority of the State of New York (the "Authority")	
consisting of:	
– Bonds payable (including unamortized original issue premium of \$2,261); maturing through 2015 with interest rates varying from 3.25% to 5.25% per annum.	\$ 61,467
– Bonds payable (net of unamortized original issue discount of \$1,640); maturing through 2025 with interest rates varying from 5.00% to 5.15% per annum.	141,464
– Bonds payable, maturing through 2012 with interest rates of 5.15% to 5.70% per annum.	26,060
– Tax-exempt commercial paper notes ("Notes") with variable interest rates (2.30% to 2.87% at December 31, 2006) payable at maturity, not to exceed 12.0% per annum. The Notes mature 270 days after their respective dates of delivery and are to be resold upon maturity through the final maturity date of July 1, 2020. The Notes provide up to \$25,600 for capital expenditures. The loan agreement requires the School to maintain an irrevocable letter of credit with a stated amount of \$26,800. The Notes are secured by a mortgage on certain real property and certain revenue of the School.	22,698
– Authority tax-exempt leasing program loans due in monthly installments of \$111, with interest rates ranging from 4.00% to 4.23% through June 2010.	3,799
– Other capital leases, monthly installments of \$8 through September 2008	411
	<u>\$ 255,899</u>

In connection with the issuance of the Notes, the School has entered into an agreement with a bank, pursuant to which the bank has issued a direct pay letter of credit to provide funds for the payment of the interest on and principal of the Notes as they mature from time to time. At December 31, 2006, the letter of credit is in the amount of \$26.8 million. The letter of credit is scheduled to expire on March 6, 2009. At December 31, 2006, the School was in compliance with all debt covenants related to the letter of credit agreement.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt and Related Assets (continued)

Long-term debt due to the Authority is collateralized by a pledge and assignment of certain gross revenues, as defined by the loan agreements, generated by the School's faculty practice associates plan, all funds and accounts authorized under the loan agreement, and the amounts deposited in the Debt Service Reserve Fund.

As of December 31, 2006, principal payments under long-term indebtedness and future minimum payments under capitalized leases for the next five fiscal years and thereafter are as follows (in thousands):

	<u>Long-Term Debt</u>	<u>Capitalized Leases</u>
2007	\$ 12,225	\$ 1,466
2008	12,953	1,466
2009	13,685	1,102
2010	21,188	483
2011	16,120	—
Thereafter	174,897	—
	<u>251,068</u>	<u>4,517</u>
Less:		
Interest	—	(307)
Net unamortized bond discount	(1,640)	—
Add: net unamortized bond premium	2,261	—
	<u>251,689</u>	<u>4,210</u>

Interest incurred for all debt aggregated approximately \$11.6 million for the year ended December 31, 2006. Capitalized interest of \$2.0 million was recorded for the year ended December 31, 2006.

At December 31, 2006, assets limited as to use under debt financing arrangements (primarily U.S. Government obligations) consisted of (in thousands):

Debt service reserve funds	\$ 21,791
Debt service funds	11,646
Lease program escrow account	60
	<u>\$ 33,497</u>

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

9. Perkins Loan Program

The School participates in the Perkins Loan Program (the “Program”) sponsored by the United States Department of Education (the “DOE”). The Program advances funds to the School which the School loans to students. The School is required to match a percentage of the advanced funds. The School selects student participants in the Program based on financial need and other eligibility requirements set by the Program. Principal and interest collected by the School are used to fund additional loans. Interest earned and expenses incurred by the School in conducting the Program are allocated between government advances and the School’s operations based on the proportion of contributions made by the School and the DOE since the inception of the Program at the School. The aggregate amount of the DOE’s net participation in the Program (net advances to the School) is reflected as a liability within federal loan capital advances in the accompanying consolidated statement of financial position.

10. Employee Relocation Loan Program

The School maintains an employee relocation loan program whereby the School participates in a portion of the financing of the primary residence mortgage of eligible faculty members. All taxes, insurance and repair and maintenance costs of the residence are the responsibility of the faculty members. If the faculty member’s employment is terminated before the mortgage is repaid, the faculty member may purchase the School’s share of the equity and assume the remainder of the School’s mortgage obligation on the property, or the residence will be sold in accordance with the employee relocation loan program agreement and the School will be entitled to a portion of the proceeds. The School’s participation in this program aggregated approximately \$9.9 million at December 31, 2006.

11. Other Postretirement Benefits

In addition to the School’s pension plans (see Note 14), the School provides health care and life insurance benefits to its retired employees if they reach normal retirement age while still working for the School. The School accrues the obligation to provide postretirement health care and other welfare benefits during the years in which employees provide service. The School-sponsored defined benefit plan provides postretirement medical and life insurance benefits to full-time employees who have worked ten years and attained the age of 62 while in service with the School. The plan contains cost-sharing features such as deductibles and coinsurance.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

In fiscal 2004, management curtailed the benefits available under the School's postretirement health benefit plan. Employees who would be eligible for postretirement health benefits are only those persons who were 50 years of age or older with 10 years of service as of January 1, 2004 or employees with 20 years of service as of January 1, 2005.

The following tables provide a reconciliation of the changes in the plan's benefit obligation and a statement of the funded status of the plan (in thousands):

Reconciliation of the benefit obligation

Obligation at January 1	\$ 13,848
Service cost	175
Interest cost	735
Actuarial gain	(299)
Benefit payments	<u>(571)</u>
Obligation at December 31	<u>\$ 13,888</u>

Funded status

Funded status at December 31	\$ (13,888)
Unrecognized prior service cost	(100)
Unrecognized loss	<u>1,887</u>
Net amount recognized	<u>\$ (12,101)</u>

The following table provides the components of the net periodic benefit cost for the plan for the year ended December 31, 2006 (in thousands):

Service cost	\$ 175
Interest cost on projected benefit obligation	735
Amortization	<u>118</u>
Net periodic benefit cost	<u>\$ 1,028</u>

The weighted-average discount rate used in the measurement of the School's benefit obligation was 5.75% at December 31, 2006. The weighted-average discount rate used in the measurement of net periodic benefit cost was 5.50% at December 31, 2006.

For measurement purposes relative to 2006, an annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be initially 10.2% grading down to an ultimate rate of 5.0% in 2012. A 5.0% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2006. The measurement date is December 31.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	<i>(in thousands)</i>	
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	\$ 10	\$ (9)
Effect on the health care component of the accumulated postretirement benefit obligation	182	(161)

Cash Flows

Contributions: The School expects to contribute \$1.0 million for the postretirement medical and life insurance plans for the year ended 2007.

Estimated future benefit payments: The School expects to pay the following postretirement benefit payments, which reflect future service, as appropriate (in thousands):

2007	\$ 1,030
2008	1,091
2009	1,135
2010	1,166
2011	1,181
2012 to 2016	5,905

Medicare Prescription Drug, Improvement and Modernization Act of 2003

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) became law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Measurements of the accumulated postretirement benefit obligation in the accompanying consolidated financial statements and notes reflect the effects of the Act on School’s plan, which resulted in a decrease in the accumulated postretirement benefit obligation of approximately \$0.3 million as of December 31, 2006. The effects of the Act were not considered significant and are not included in the measurements of accumulated postretirement benefit obligation at December 31, 2005.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

On September 29, 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. The new standard applies to all plan sponsors who offer defined benefit postretirement benefit plans. Statement No. 158 requires an entity to recognize in its balance sheet an asset for a defined benefit postretirement plan's over-funded status or a liability for a plan's under-funded status, measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan in changes in unrestricted net assets in the year in which the changes occur.

Statement No. 158 does not change the amount of net periodic benefit cost included in the increase in net assets or address the various measurement issues associated with postretirement benefit plan accounting. The requirement to recognize the funded status of a defined benefit postretirement plan and the disclosure requirements are effective for the year ending December 31, 2007. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for the year ending December 31, 2008. The effect of the adoption of Statement No. 158 on the postretirement plan would be approximately \$1.8 million at December 31, 2006.

12. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets are available to support program activities as stipulated by donors. Permanently restricted net assets are restricted to investment in perpetuity with the income expendable to support program activities as stipulated by donors. The School's temporarily and permanently restricted net assets support the following activities at December 31, 2006 (in thousands):

Category	Temporarily Restricted	Permanently Restricted
Professorships	\$ 14,393	\$ 91,022
Faculty fellowships	14,645	14,934
Lectures and prizes	5,977	5,771
Scholarships and loans	42,178	30,207
Research centers	5,838	47,965
Research, instruction and operations	168,966	97,006
	\$ 251,997	\$ 286,905

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets

During the year ended December 31, 2006, net assets were released from restrictions in satisfaction of the following restrictions (in thousands):

Instruction	\$ 1,882
Research	<u>19,877</u>
	<u>\$ 21,759</u>

13. Sponsored Research

Research grants and contracts normally provide for the recovery of direct and indirect costs. The School recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is recorded using facilities and administrative rates negotiated with the federal government and other sponsors. Certain School clinical research programs are conducted in Hospital facilities. Direct expenditures under federal research projects totaled approximately \$161.7 million for the year ended December 31, 2006. The School's principal source of federal research funds is the U.S. Department of Health and Human Services. Research grants and contracts awarded but not yet recorded approximated \$168.9 million as of December 31, 2006.

14. Pension and Similar Plans

Through participation in the Hospital's pension plan, the School provides pension and similar benefits to administrative service employees through several defined benefit multi-employer union plans and immediate vesting tax-sheltered annuity plans. Contributions to the defined benefit multi-employer union plans are made in accordance with contractual agreements under which contributions are generally based on salaries. Payments to the tax-sheltered annuity plans are generally based on percentages of annual salaries. It is the School's policy to fund accrued costs under these plans on a current basis. The School's pension expense under all existing plans for the year ended December 31, 2006 aggregated approximately \$17.9 million.

Additionally, the Hospital and the School jointly offer a 457(b) plan to certain of their respective employees. Contributions are made solely by the employees through their payroll deductions. The contributions are maintained in individual participant accounts held by a custodian and remain an asset of the employer until the participant retires. A corresponding liability is also recorded for these amounts to be reduced upon the participant's retirement.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

14. Pension and Similar Plans (continued)

At December 31, 2006 the School has included approximately \$7.8 million in investments and accrued salaries, wages and related liabilities in its consolidated statements of financial position related to the 457(b) plan.

15. Commitments and Contingencies

The School 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. School 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 School's financial position. Included in accounts payable and accrued expenses is approximately \$1.3 million related to a legal settlement that occurred subsequent to December 31, 2006.

In December 2001, Realty Corp. entered into a \$16 million loan agreement with the New York City Industrial Development Agency (\$15.1 million outstanding balance at December 31, 2006), which is collateralized by a bank letter of credit that is guaranteed by the School and the Medical Center. In December 2006, Realty Corp. refinanced its \$7.8 million term loan and its \$8.2 million subordinated mortgage loan into one three-year \$11.0 million mortgage loan. The loan is secured by real estate owned by Realty Corp. and by a guarantee from the School and the Medical Center. The original two loans were also collateralized by \$8.2 million of marketable securities that were loaned to Realty Corp. from the School. This collateral was released by the financial institution as a part of the new refinancing agreement. Subsequent to December 31, 2006, these marketable securities were transferred back to the School.

Summarized financial information for Realty Corp. at December 31, 2006 is as follows (in thousands):

Total assets	\$ 30,490
Total liabilities	<u>46,490</u>
Net deficit	<u>\$ (16,000)</u>

Severance

The School recorded severance liabilities included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position totaling approximately \$0.3 million as of December 31, 2006.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

Operating Leases

The School leases various equipment and facilities under operating leases expiring at various dates through 2011. Total rental expense charged to operations during the year ended December 31, 2006 was approximately \$5.6 million.

Future minimum payments required under noncancellable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2006 (in thousands):

2007	\$ 2,759
2008	1,166
2009	536
2010	242
2011	18
	<u>\$ 4,721</u>

16. Fair Values of Financial Instruments

The following methods and assumptions were used by the School in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the accompanying consolidated statement of financial position approximate fair value.

Loans receivable: These assets are reported at cost, which approximates fair value, as the loans generally bear interest at variable market rates.

Assets limited as to use under debt financing arrangements: These assets consist primarily of U.S. Government securities. Fair values are based on quoted market prices.

Investments in fixed income securities: Fair values are based on quoted market prices.

Mount Sinai School of Medicine of New York University

Notes to Consolidated Financial Statements (continued)

16. Fair Values of Financial Instruments (continued)

Investments in alternative investments: Fair values of alternative investments are based on historical cost, appraisals, or other estimates that require varying degrees of judgment, and reflects the School's share of realized and unrealized investment income and expenses of the respective alternative investments.

Other Investments: The carrying amount reported in the accompanying consolidated statement of financial position approximates fair value.

Employee relocation loan program: The carrying amounts reported in the accompanying consolidated statement of financial position approximate fair value as the loans generally bear interest at variable market rates.

Long-term debt: Fair value of the School's long-term debt is based on discounted cash flow analyses, using current borrowing rates for similar types of debt.

The carrying values and fair values of the School's financial instruments are as follows at December 31, 2006 (in thousands):

	Carrying Value	Fair Value
Cash and cash equivalents	\$ 38,569	\$ 38,569
Loans receivable	29,061	29,061
Assets limited as to use under debt financing arrangements	33,497	33,497
Investments in fixed income securities	52,390	52,390
Investments in alternative investments	504,499	504,499
Investments in other	25,161	25,161
Employee relocation loan program	9,942	9,942
Long-term debt	255,899	261,299

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2007 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Termination

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

(Section 45)

Construction of the Project

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series Resolution and the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to such Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project; Additional Bonds

The Institution, with the prior written consent of the Authority, which consent will not be unreasonably withheld, may amend the Project by agreements supplementing the Loan Agreement, to decrease, increase or otherwise modify the scope thereof. The Institution shall provide such moneys as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise.

The Authority, upon the request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the applicable Construction Fund.

(Section 6)

Financial Obligations

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, without limitation, moneys in the Debt Service Fund, and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys in the Debt Service Reserve Fund held for the benefit of the Bonds, the Institution agrees to pay or cause to be paid, so long as the Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, the Authority Fee as set forth in the Loan Agreement;

(b) On or before the date of delivery of the Bonds, such amount, if any, as is required, in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of the Bonds, and other costs in connection with the issuance of the Bonds;

(c) With respect to the Bonds the interest rate on which is paid semi-annually, on the tenth (10th) day of each month commencing on the tenth (10th) day of the seventh (7th) month immediately preceding the date on which interest on the Bonds becomes due, one-sixth ($1/6$) of the interest coming due on the Bonds on the immediately succeeding interest payment date on the Bonds so that on a date one month prior to the succeeding interest payment date sufficient amounts are on deposit to pay interest on the Bonds next coming due; provided, however, that, if with respect to the Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

(d) With respect to the Variable Interest Rate Bonds the interest on which is paid more frequently than semi-annually, on the tenth (10th) day of each month commencing on the tenth (10th) day of the month (which is at least 60 days prior to the Interest Payment Date) following the issuance of such Bonds, an amount equal to the interest coming due on such Variable Interest Rate Bonds on such Interest Payment Date, assuming that such Bonds will, from and after the next succeeding date on which the rates at which such bonds bear interest are to be determined, bear interest at a rate per annum equal to the rate per annum for such Bonds on the immediately preceding Business Day, plus one percent (1%) per annum;

(e) On the tenth (10th) day of each month commencing on the tenth (10th) day of June which is thirteen (13) months prior to the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth ($1/12$) of the principal and Sinking Fund Installment on the Bonds coming due on such July 1 so that on a date one month prior to the succeeding principal payment date sufficient amounts are on deposit to pay principal on the Bonds next coming due; provided, however, that, if with respect to a Series of Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on Bonds of a Series, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July 1;

(f) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(g) On December 10 of each Bond Year, one-half ($1/2$) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual

Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to the Bonds multiplied by a fraction, the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(h) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or of the Mortgage or of the Resolution in accordance with the terms thereof, (v) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, and (vi) to restore a Debt Service Reserve Fund to its Debt Service Reserve Fund Requirement;

(i) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement; and

(j) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Series or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall 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 any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds and maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Bonds and maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority shall direct and the Institution shall agree pursuant to the Loan Agreement, to make the payments required by this Section as follows: (i) the payments required by paragraphs (c), (e), (f) and (i) of this Section directly to the Trustee for deposit and application in accordance with the Resolution; (ii) the payments required by paragraph (b) of this Section directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (iii) the payments required by paragraph (j) of this subdivision directly to the Trustee for deposit in the Arbitrage Rebate Fund, and (iv) the payments required by paragraphs (a), (g) and (h) (other than pursuant to clause (vi) thereof) of this Section to or upon the written order of the Authority.

Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall 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 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 applicable provisions of the Resolution. Except

as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

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

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

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

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

The Institution, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in the Debt Service Fund and applied in accordance with the Resolution or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or any payment made pursuant to the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the provisions of the Resolution with respect to such 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 shall agree, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

Reserve Funds

The Institution agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund, if any, an amount at least equal to the Debt Service Reserve Fund Requirement, provided that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such fund only after the notice required by the Series Resolution is given.

The Institution may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Series Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Institution is required to restore the Debt Service Reserve Fund Requirement, it shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the Facility Provider in order to cause such Reserve Fund Facility to be restored to its full amount and shall then deliver additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

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

All Government Obligations and Exempt Obligations and other moneys deposited with the Trustee pursuant to the Loan Agreement, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS") (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Government Obligations and Exempt Obligations and other moneys in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations and Exempt Obligations and other moneys shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Institution hereby appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Institution under the Loan Agreement agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other moneys, whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the 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 moneys 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 thereof as contemplated by the Loan Agreement, by the Resolution and the Series Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

Prior to the initial delivery of Government Obligations and Exempt Obligations to the Trustee pursuant to the Loan Agreement, and upon any later delivery or substitution, the Institution will, at its cost and expense, provide to the Authority, the Insurer and the Trustee a written opinion of counsel satisfactory to the

Authority to the effect that the Institution has full corporate power and authority to pledge such Government Obligations and Exempt Obligations as security in accordance herewith, such Government Obligations and Exempt Obligations have been duly delivered by the Institution to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms of the Loan Agreement and of the Resolution and the Series Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations and Exempt Obligations delivered by the Institution are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution or the Series Resolution. In lieu of providing a written opinion of counsel to the Institution as required by the Loan Agreement after every substitution of Government Obligations or Exempt Obligations, the Institution may provide such written opinion of counsel after the first substitution provided that it shall furnish to the Authority and the Trustee, once in every calendar quarter (in the first week of each January, April, July and October) thereafter in which a substitution is made, a further written opinion of counsel to the Institution to the effect that all Government Obligations or Exempt Obligation deposited into any fund or account established under the Resolution or the Series Resolution, to and including the date of such opinion of counsel, comply with the requirements of this paragraph.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institution's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, grant of a security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges, and shall be in a parity with Additional Parity Indebtedness.

The Institution represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the Prior Pledges, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge made by this Section, except that the Institution shall be permitted to create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues that is on a parity with the interest granted by this Section to secure (i) Additional Bonds, (ii) Additional Parity Indebtedness, (iii) Derivative Obligations or (iv) with the prior written consent of the Authority and the Insurer, any other obligation of the Institution.

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues (other than the amounts subject to the Prior Pledges) within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, plus one percent (1%) per annum, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased and

accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in this subdivision, but the Institution shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Institution with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

Notwithstanding anything to the contrary in the preceding paragraph, in the event that, on or prior to the date on which a payment is to be made pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the Institution has made such payment from its general funds or from any other money legally available to it for such purpose, the Institution shall not be required, solely by virtue of the preceding paragraph, to deliver Pledged Revenues to the Trustee.

Any Pledged Revenues collected by the Institution that are not required to be paid to the Trustee pursuant to the Loan Agreement shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default (as defined in the Loan Agreement) nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(Section 12)

Mortgage; Lien on Fixtures, Furnishings and Equipment

At or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority the Mortgage, in recordable form, mortgaging the Mortgaged Property acceptable to the Authority, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee, the Authority, with the consent of the Insurer, however, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with the Mortgaged Property and the property subject to the Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that, if the equipment, furniture or fixtures so removed is of any material value, the Institution shall substitute equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 13)

Warranty of Title; Utilities and Access

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

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

The Institution covenants that title to the Project and the Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances and such other encumbrances approved in writing by the Authority.

The Institution agrees to provide or reimburse the Authority for providing at the sole option of the Authority (i) a title insurance policy in form and substance and by insurer(s), all acceptable to the Authority, in the amount of the Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid lien on the Mortgaged Property of a priority acceptable to the Authority, free and clear of all liens and encumbrances except Permitted Encumbrances and (ii) a current survey or surveys, including a metes and bounds description, of such Mortgaged Property, certified to the Authority and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

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

(Section 14)

Consent to Pledge and Assignment by the Authority

The Institution shall consent to and authorize the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive any or all of the payments required to be made directly to the Trustee pursuant to the Loan Agreement, any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Pledged Revenues given by the Institution pursuant to the Loan Agreement, the Mortgage, any security interest in the fixtures, furnishings and equipment located on the Mortgaged Property and all funds and accounts established by the Resolution and pledged under the Resolution, in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution shall further agree that the Authority may pledge and assign to the 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 Trustee authorized by this paragraph, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement. Any realization upon any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement.

(Section 15)

Covenants

The Institution further covenants that it shall maintain Faculty Practice Plan Revenues in an amount at least equal to maximum aggregate Debt Service payable in any current or future calendar year on Outstanding Bonds and Additional Parity Indebtedness.

(Section 16)

Tax-Exempt Status of the Institution

The Institution shall represent 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 letter or other notification as represented to the Internal Revenue Service continue to exist; and (vi) it is exempt from federal income taxes under Section 501(a) of the Code, except for payment of unrelated business income tax. The Institution shall agree that: (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an educational organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law; and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in a manner, or for any trade or business unrelated to the educational purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 17)

Use and Possession of the Project

The Institution shall agree that, unless in the opinion of Bond Counsel the Project may be occupied or used other than as required by this paragraph, at least ninety-five percent (95%) of the Project shall be used by the Institution or leased by the Institution to another organization described in Section 501(c)(3) of the Code or a governmental entity only for activities of the Institution, such other organization or governmental entity that will not adversely affect the classification of the Bonds as “qualified 501(c)(3) bonds” within the meaning of Section 145 of the Code, subject to and consistent with the requirements of the Loan Agreement. Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control and possession of and responsibility for (i) the Project and the Mortgaged Property, (ii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project and the Mortgaged Property. For purposes of the preceding sentence, the term Project shall include “issuance costs” (within the meaning of Section 147(g) of the Code) financed by the Series 2007 Bonds and such issuance costs shall be treated as a portion of the Project that is not used as required by the preceding sentence for ninety-five percent (95%) of the Project.

(Section 21)

Restrictions on Religious Use

The Institution shall agree that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; provided, further, that if at any time after the date of the Loan Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution shall further agree that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an

instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this Section an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 22)

Sale of the Project or Mortgaged Property

The Institution will not transfer, sell or convey any interest in the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Authority and the Insurer, unless (a) in the opinion of Bond Counsel, the same will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes and (b) the Institution pays to the Trustee either for deposit into the Debt Service Fund, or, pursuant to certain provisions of the Resolution, to be set aside or to purchase Defeasance Securities in accordance with the direction of the Authority, an amount as set forth in the Loan Agreement.

Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures that is part of the Project or the Mortgaged Property and was financed with the proceeds of Bonds provided that, if the equipment, furniture or fixtures removed is of any material value, the Institution shall substitute for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 23)

Covenant as to Insurance

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

The Institution shall, with respect to the Project and the Mortgaged Property, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers acceptable to the Authority, the following insurance:

(a) with respect to any building the construction of which shall not have been completed (and until insurance is procured pursuant to subparagraph (b) of this paragraph), all risk builders' risk insurance against direct physical loss or damage, or with respect to the acquisition and installation of equipment or machinery, in lieu of all risk builders' risk, an installation floater on an all risk basis. The amount of such insurance shall be on a one hundred per centum (100%) completed value basis on the insurable portion;

(b) at all times (except during a period when builders' risk insurance is in effect as required by subparagraph (a) of this paragraph, all risk property insurance against direct physical loss or damage to the Project in an amount not less than one hundred per centum (100%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; provided, however, that the inclusion of the Project under a blanket insurance policy or policies of the Institution insuring against the aforesaid hazards in an amount aggregating at least one hundred per centum (100%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall constitute complete compliance with the provisions of this paragraph with respect to the Project; provided, further, that in any event, each such policy shall be in an amount sufficient to prevent the Institution and the Authority from becoming co-insurers under the applicable terms of such policy;

(c) at all times, statutory workers' compensation insurance, covering loss resulting from injury, sickness, disability or death of employees and employer's liability insurance with limits of at least \$1,000,000 for each accident, each sickness, and aggregate occupational illness or sickness;

(d) at all times, statutory disability benefits;

(e) at all times, commercial general liability insurance protecting the Authority and the Institution against loss or losses from liabilities arising from bodily injury of persons or damage to the property of others caused by accident or occurrence, with limits of not less than \$1,000,000 per accident or occurrence on account of injury to persons or property damage with \$2,000,000 policy aggregate, excluding liability imposed upon the Authority or the Institution by any applicable workers' compensation law;

(f) commencing with the date on which construction of the Project or any part thereof is completed or first occupied, or any equipment, machinery, fixture or personal property covered by comprehensive boiler and machinery coverage is accepted, whichever occurs earlier, insurance providing comprehensive boiler and machinery coverage in an amount considered adequate by the Authority, which insurance may include deductible provisions approved by the Authority; and

(g) each other form of insurance which the Institution is required by law to provide and such other kinds of insurance in such amounts as from time to time may be reasonably required by the Authority.

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

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

(Section 25)

Defaults and Remedies

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

(a) the Institution shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance herewith, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days; or

(b) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(c) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an “event of default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(d) The Institution shall (A) be generally not paying its debts as they become due, (B) 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, (C) make a general assignment for the benefit of its general creditors, (D) 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, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

(e) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed or stayed within ninety (90) days; or

(f) the charter of the Institution shall be suspended or revoked; or

(g) a petition to dissolve the Institution shall be filed by the Institution with the Board of Regents of the College of the State of New York, the legislature of the State or other governmental authority having jurisdiction over the Institution; or

(h) an order of dissolution of the Institution shall be made by the Board of Regents of the College of the State of New York, the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(i) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days; or

(j) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order

shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(k) a final judgment for the payment of money, at least one million dollars (\$1,000,000) of which is not covered by insurance or reserves set aside by the Institution, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within 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; or

(l) the occurrence and continuance of an event of default under the Mortgage; or

(m) the payment of any Additional Parity Indebtedness of the Institution is accelerated.

Subject to the terms of the Intercreditor Agreement, upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(a) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of any Mortgage;

(e) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, and in a manner consistent with the rights of the holders of Additional Parity Indebtedness, by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, subject to the Prior Pledges and the Intercreditor Agreement, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor

and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, 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 (F) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(f) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being hereby given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this paragraph (f), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this paragraph (f) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution under the Loan Agreement irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this paragraph (f) during the term of the Loan Agreement;

(g) permit, direct or request the Trustee to liquidate all or any portion of the assets of a 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 Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising under the Loan Agreement, or from the Resolution and relating to the Bonds; and

(h) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or under the Mortgage or by law, and any other action or proceeding permitted by the terms of the Loan Agreement or by law.

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 shall effect a waiver of the Authority's right to exercise such remedy thereafter.

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

(Section 31)

Arbitrage; Tax Exemption

Each of the Institution and the Authority agree that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority.

(Section 36)

Additional Parity Indebtedness

The Institution further covenants that it shall not incur any Additional Parity Indebtedness after the execution and delivery of the Loan Agreement unless the chief financial officer of the Institution shall certify to the Authority and the Insurer that the Faculty Practice Plan Revenues for the immediately preceding fiscal year of the Institution for which audited financial statements are available were at least equal to maximum aggregate Debt Service on all Outstanding Bonds and Additional Parity Indebtedness, calculated after giving effect to the incurrence of the Additional Parity Indebtedness then to be incurred.

In conjunction with the incurrence by the Institution of Additional Parity Indebtedness, the Institution will execute and will take all reasonable action to cause each holder (or its fiduciary) of such Additional Parity Indebtedness to execute the Intercreditor Agreement, or an amendment thereto, reflecting the incurrence of such Additional Parity Indebtedness. The Authority will execute the Intercreditor Agreement or amendments thereto (which are reasonably acceptable to the Authority), to reflect the incurrence of Additional Parity Indebtedness permitted by the Loan Agreement in order to reflect the rights of each creditor with respect thereto.

(Section 37)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member, director, trustee, officer, official, counsel, consultant, employee or agent of the Authority or of the Institution or any person executing the Loan Agreement for any covenants and provisions thereof or for any claims based thereon.

(Section 41)

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution and the Series 2007 Resolution pertaining to the Series 2007 Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution and the Series 2007 Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Resolution or, where so specified the Series 2007 Resolution.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Mount Sinai School of Medicine of New York University Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of a 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 shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds of such Series, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

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, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds.

(Section 2.05)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and, except as otherwise provided in the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, shall, subject to the adoption of a Series Resolution, be pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds all in accordance with the provisions of the Resolution and any Series Resolution. The pledge of the Revenues and the assignment of the Authority's security interest in the Pledged Revenues shall also be for the benefit of the applicable Facility Provider as security for the payment of any amounts payable to such Facility Provider under the Resolution; provided, however, that such pledge and assignment shall, in all respects, be subject and subordinate to the rights and interest therein of the

Bondholders of such Series of Bonds. The pledge made by the Resolution, shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds, except that the Authority's security interest in Pledged Revenues shall secure on a parity all Series of Bonds and Additional Parity Indebtedness and secure any obligation of the Institution to a Derivative Agreement Counterparty . 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 a Series of Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and by a Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall 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, the Authority's security interest in the Pledged Revenues and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon, subject only to the applicable Prior Pledges.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by a Series Resolution, the following funds are authorized to be established shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;

Debt Service Fund; and

Arbitrage Rebate Fund.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with a Series Resolution, a Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of a Series, but shall nevertheless be disbursed, allocated and applied solely 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 a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

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

(Section 5.03)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to the Authority pursuant to the Resolution. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the Institution which by the terms of the Loan Agreement are required to be deposited therein.

Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to such Series of Bonds. For purposes of internal accounting, the Construction Fund may contain one or more further subaccounts, as the Authority or the Trustee may deem proper.

Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer 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. Payments for Costs of each Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution naming the Project in connection with which payment is to be made and 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 Bonds of a Series shall 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 Construction Fund to the Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose.

A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall 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 or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the moneys, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project in connection with such Project which are then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

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

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

Third: To the Debt Service Fund, to be applied in accordance with the provisions of the section entitled “*Debt Service Fund*” hereof, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues and any other moneys, which, by any of the provisions of the Loan Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid, pro rata, by the Trustee in the following order of priority:

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, (b) the Sinking Fund Installments of Outstanding Option Bonds of a Series payable on or prior to the next succeeding January 1 and (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions of the section entitled “*Debt Service Fund*” hereof, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions of the section entitled “*Debt Service Fund*” hereof, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse each Facility Provider for Provider Payments which are then unpaid the respective Provider Payments then unpaid to each Facility Provider and to replenish each Debt Service Reserve Fund to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series 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 a Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or any Mortgage in accordance with the terms thereof, 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.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institution of any balance of Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Debt Service Fund:

- (i) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date;
- (ii) the principal amount due and payable on all Outstanding Bonds of a Series on such interest payment date; and
- (iii) the Sinking Fund Installments, if any, due and payable on all Outstanding Bonds of a Series on such interest payment date.

The amounts paid out pursuant to this Section shall be irrevocably pledged to and applied to such payments.

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

Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding January 1 or July 1, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a 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 shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such moneys shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds of a Series, at the Redemption Prices specified in the Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Debt Service Reserve Fund

1. (a) The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of the Series 2007 Bonds, if any, as shall be prescribed in the Series 2007 Resolution, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations otherwise required to be deposited in the Debt Service Reserve Fund, 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 Debt Service Reserve Fund Requirement; provided that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State (i) the claims paying ability of which is rated the highest rating accorded by a nationally recognized insurance rating agency or (ii) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by Moody’s and S&P or, if Outstanding Series 2007 Bonds are not rated by Moody’s and S&P by whichever of said rating services that then rates Outstanding Series 2007 Bonds; provided, further, that any such letter of credit shall 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 Outstanding Series 2007 Bonds are not rated by Moody’s and S&P by whichever of said rating services that then rates Outstanding Series 2007 Bonds; and provided further that the written consent from the Insurer to the delivery of such Reserve Fund Facility shall have been obtained.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Insurer 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 and (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 the Insurer.

Each Reserve Fund Facility shall 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 drawing upon such letter of credit or obtaining payment under such surety bond or insurance policy.

For the purposes of this section and the section entitled “*Application of Bond Proceeds and Allocation Thereof*” hereof, in computing the amount on deposit in a Debt Service Reserve Fund, a letter of credit, a surety bond or an insurance policy shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

2. Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments at the times and in the amounts required to comply with the provisions of clauses (i), (ii) and (iii) of the Section the entitled “Debt Service Fund” provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this subdivision 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 shall obtain payment under each such Reserve Fund Facility *pro rata* based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility deposited in the Debt Service Reserve Fund, the Trustee shall 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. Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be withdrawn by the Trustee and deposited, upon direction of the Authority, in the Arbitrage Rebate Fund, the Debt Service Fund and the Construction Fund or applied to the redemption of the Series 2007 Bonds in accordance with such direction.

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

(Section 5.02 of the Series 2007 Resolution)

Application of Debt Service Reserve Fund

In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Series 2007 Bonds, for the payment of principal of such Outstanding Series 2007 Bonds, for the payment of Sinking Fund Installments of such Outstanding Series 2007 Bonds due and payable on such interest payment date or for the payment of the Redemption Price of such Outstanding Series 2007 Bonds theretofore to be called for redemption, plus accrued interest thereon to the date of redemption, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit to the 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 shall notify the Authority, the Insurer and the Institution of a withdrawal from the Debt Service Reserve Fund.

(Section 5.03 of the Series 2007 Resolution)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

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

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the

Resolution and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time (i) the amounts held in the Debt Service Fund and each Debt Service Reserve Fund, if applicable, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, (ii) the amounts held in the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Series secured thereby and the interest accrued and unpaid and to accrue on such Bonds to the next date on which such Bonds may be redeemed or (iii) in either case, to make provision pursuant to the second paragraph of the section entitled “*Defeasance*” hereof for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by a Series Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the second paragraph of the section entitled “*Defeasance*” hereof and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance with such instruction.

(Section 5.08)

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 the Institution, but not more frequently than once a calendar month, and (iv) at such other times as maybe necessary in connection with a withdrawal and deposit made pursuant to subdivision 3 of Section entitled “Debt Service Reserve Fund” of the Series 2007 Resolution or pursuant to the sections entitled “*Deposit of Revenues and Allocation Thereof*”, “*Debt Service Fund*”, “*Arbitrage Rebate Fund*” or “*Application of Moneys in Certain Funds for Retirement of Bonds*” of the Series 2007 Resolution, shall compute the value of the assets in the 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 Institution as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement.

(Section 5.04 of the Series 2007 Resolution)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a series of Bonds, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the

deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the sections entitled “*Debt Service Fund*” or “*Defeasance*” hereof and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on such Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts Held by the Trustee

Moneys held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes hereof; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

In computing the amount in any fund or account held by the Trustee under the provisions hereof, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall 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 and account 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 the first and second paragraphs of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

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

(Section 6.02)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds of each applicable Series, to adopt the Resolution and each applicable Series Resolution and to pledge and assign the proceeds from the sale of any such Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and pursuant to any Series Resolution which are, or may be pledged by the Resolution, in the manner and to the extent provided in the Resolution and therein. The Authority further covenants that the proceeds from the sale of each applicable Series of Bonds, the Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and pursuant to a Series Resolution which are or may be pledged by the Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Resolution and pursuant to the applicable Series Resolution (other than (i) Permitted Encumbrances, (ii) Additional Parity Indebtedness, (iii) obligations under a Derivative Agreement and (iv) as otherwise permitted with the prior written consent of the Authority and the Insurer), and that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that each Series of Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and pursuant to a Series Resolution, which are pledged by the Resolution and by such Series Resolution and all of the rights of the Holders of Bonds of any Series under the Resolution and any Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Creation of Liens

Except as permitted by the Resolution or by a Series Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Bonds, the Revenues pledged for such Series of Bonds, the Pledged Revenues, the Prior Pledges or the funds and accounts established by the Resolution or by a Series Resolution which are pledged by the Resolution (other than (i) Permitted Encumbrances, (ii) Additional Parity Indebtedness, (iii) obligations under a Derivative Agreement and (iv) as otherwise permitted with the prior written consent of the Authority and the Insurer); provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution.

(Section 7.06)

Amendment of Loan Agreement

(a) The Loan Agreement may, without the consent of the Holders of Bonds of a Series, be amended, changed, modified or supplemented for any one or more purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Institution's obligations under the Loan Agreement that is not contrary to or inconsistent with the covenants and agreements of the Institution contained in the Loan Agreement;

(ii) to prescribe further limitations and restrictions upon the Institution's right to incur, issue, assume or guaranty indebtedness that are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Institution, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Institution contained in the Loan Agreement; **provided, however**, that if the same would adversely affect the rights of a Facility Provider, no amendment, change, modification, termination or waiver shall become effective until consented to in writing by the Facility Provider affected thereby;

(iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of a Project, to amend the description of a Project or to add an additional Project to Schedule C of the Loan Agreement;

(v) to amend Schedule A or Schedule B of the Loan Agreement to establish, amend or modify the Authority Fee or the Annual Administrative Fee payable by the Institution in connection with the Bonds of a Series;

(vi) subject to paragraph (b) below, to make changes necessary or appropriate in connection with the issuance of any additional Series of Bonds pursuant to the terms of the Resolution and the applicable Series Resolution; or

(vii) with the prior written consent of the Trustee and the Insurers of a majority in principal amount of Outstanding Bonds of a Series, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement or to amend, modify or waive any other provision of the Loan Agreement provided that the same does not adversely affect the interests of the Bondholders of such Series of Bonds or any Insurers in any material respect.

In determining whether the interests of a Bondholder are adversely affected by an amendment, change, supplement or modification, such determination shall be made as if there were no Insurance Policy with respect to such Bonds.

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Loan Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of a Series as hereinafter provided, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Institution under the Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute Events of Default under the Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under the Loan Agreement upon the occurrence of an Event of Default under the Loan Agreement, or (iv) adversely affects the rights of the Bondholders of such Series of Bonds in any material respect.

(c) No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds of a Series then Outstanding, or (b) in case less than all of a Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of such Series so affected and then Outstanding; **provided, however**, that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

(d) No amendment, change, modification or termination of the Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that the same is not inconsistent with the Resolution and will

not adversely affect the exclusion of interest on a Bond from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee and a copy thereof shall be sent to each Insurer.

(e) For the purposes of this Section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, alteration or termination permitted by this Section in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; **provided, however**, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Loan Agreement if the same adversely affects or diminishes the rights of the 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 a 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 the Institution, the Authority and all Holders of Bonds of such Series.

Prior to making any such determination, the Trustee shall be entitled to receive and 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 or Insurers of Bonds of a Series then Outstanding in any material respect. Such opinion shall be conclusive evidence that the Bonds of any particular Series or maturity would not be adversely affected in any material respect by any such amendment, change, modification or alteration of the Loan Agreement.

(Section 7.11)

Modification and Amendment Without Consent

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

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a 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;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds of a 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;

(d) 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;

(e) To confirm, as further assurance, any pledge under the Resolution or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution or any Series Resolution, of the Revenues, or any pledge of any other moneys, Securities or funds;

(f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of a Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To provide rights and privileges of an Insurer in addition to those set forth in the Resolution;
or

(h) 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 hereof or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series, in any material respect.

In determining whether the interests of a Bondholder are adversely affected by an amendment, change, supplement or modification, such determination shall be made as if there were no Insurance Policy with respect to such Bonds.

(Section 9.01)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution or of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the applicable Insurer and Holders of a Series of Bonds 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 an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 9.02)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of the Authority and of the Holders of a Series of Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in the section entitled "*Consent of Bondholders*" hereof, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series at the time such consent is given, (ii) in case less than all of a Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of such Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of a 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 the Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall

permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a 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 shall reduce the percentages or otherwise affect the classes of Bonds of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. Prior to making any such determination, the Trustee shall be entitled to receive and rely on an opinion of counsel, including an opinion of Bond Counsel, with respect to whether the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution. Such opinion shall be conclusive evidence that the Bonds of any particular Series or maturity would not be adversely affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

In determining whether the interests of a Bondholder are adversely affected by an amendment, change, supplement or modification, such determination shall be made as if there were no Insurance Policy with respect to such Bonds.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the section entitled "Powers of Amendment" hereof to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the section entitled "*Powers of Amendment*" and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions hereof, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by the Holder of a Bond of a Series shall be binding upon such Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Insurer or Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or a subsequent Holder of such Bond by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required

percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of each Series and will be effective as provided in this Section, shall be given to such Bondholders by the Trustee at the direction of the Authority by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, the Insurer and the Holders of such Series of Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by and in the manner provided by the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; **provided, however**, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (herein called “event of default”) if:

(a) With respect to a Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of

the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds of such Series or in a Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” as defined in the Loan Agreement, arising out of or resulting from the failure of the Institution to comply with the requirements of the Loan Agreement shall have occurred and is continuing and all sums payable by the Institution under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

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

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the section entitled “*Events of Default*” hereof, then and in every such case, the Trustee may proceed, and upon the written request of the applicable Insurer (if such Insurer is not in default under the Insurance Policy issued by it) or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series with the written consent of the applicable Insurer (if such Insurer is not in default under the Insurance Policy issued by it) or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, upon the written request of the Holders of not less than a majority principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or of such Insurer 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 any 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 shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under a Series Resolution the Trustee shall, subject to the provisions of the Intercreditor Agreement, 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 a Series Resolution or of a Series of Bonds, with interest on overdue payments of the principal of or interest on such 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 a 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 a 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)

Bondholders’ Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, with the consent of the Insurer or, in the case of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, the Holders of a majority in principal amount of the Outstanding Bonds of a Series affected thereby with the consent of the Insurer, shall 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 a Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and of such Series Resolution, and that the Trustee shall 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

Neither a Holder of any of the Bonds of a Series nor the Insurer for any such Series of Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder or Insurer (if such Insurer is not in default under the Insurance Policy issued by it) previously shall have given to the Trustee written notice

of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or, in the case of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted hereby or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity shall be declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts under the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Insurers or Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security hereof 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 shall 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 a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other Securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. Such Securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either

moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of a Series on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in 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 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 clause (ii) above has been made with the Trustee and that said 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 said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with this Section. The Trustee shall select which Bonds of such Series, Sub-Series and maturity payment of which shall be made in accordance with this Section in the manner provided in 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 shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; **provided, however**, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date hereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts 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 Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; **provided, however**, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the

date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

No principal or Sinking Fund Installment of or installment of interest on a Bond of a Series shall be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that an Insurer pursuant to an Insurance Policy issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

(Section 12.01)

Insurer as Bondholder

For so long as an Insurance Policy is in effect for a Series of Bonds, whenever by the terms of the Resolution the Holders of any percentage in principal amount of Outstanding Bonds may exercise any right or power, consent to an amendment, modification or waiver, or request or direct Trustee to take any action, the Insurer shall be deemed to be the Holder of such Bond, except that if an event of default specified in paragraph (c) found under the heading "Events of Default" in this summary of the Resolution has occurred with respect to such Bond, the Insurer shall not be deemed the Holder thereof for the purpose of giving any consent or direction or making any request pursuant to the Resolution.

(Section 13.02)

APPENDIX E

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

September __, 2007

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

Re: Dormitory Authority of the State of New York Mount Sinai School of Medicine of New York
University Revenue Bonds, Series 2007

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance of \$120,820,000 aggregate principal amount of its Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007 (the "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), and the Authority's Mount Sinai School of Medicine of New York University Revenue Bond Resolution, adopted on June 27, 2007 (the "Resolution"), as amended and supplemented by the Series 2007 Resolution Authorizing Up To \$141,000,000 Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007 (the "Series 2007 Resolution") adopted on June 27, 2007. The Resolution, together with the Series 2007 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 a Loan Agreement with the Mount Sinai School of Medicine of New York University (the "Institution" or the "School"), dated as of June 27, 2007 (the "Loan Agreement"), providing, among other things, for a loan to the Institution for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments, if any, and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of the Bonds.

The Bonds are to mature on the dates and in the years and amounts and interest on the Bonds is payable at the rates and in the amounts set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Bonds.

The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The 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 Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate and Agreement") between the Authority and the Institution, opinions of counsel to the Authority and the Institution, certificates of the Authority, the Trustee, the Institution 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 the opinion of Michael G. Macdonald, Esq., Vice President and General Counsel of the Institution, regarding, among other matters, the current qualification of the Institution, The Mount Sinai

Hospital (the “Hospital”) and the Mount Sinai Diagnostic & Treatment Center (“MSDTC”) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Institution, the Hospital or MSDTC within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of the Institution, the Hospital or MSDTC to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its 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 the Institution, the Hospital or MSDTC within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the 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 is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with this issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate and Agreement, 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions 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 property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The 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 adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of

the sale of the 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 the Institution, constitutes a valid and binding agreement of the Authority in accordance with its terms.

5. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and 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 accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation

Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the “Insurer”), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the “Paying Agent”) of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the “Insured Amounts.” “Obligations” shall mean:

[PAR]

[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term “owner” shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

SPECIMEN

Attest:

Assistant Secretary

STD-R-7
01/05



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